

# Nation's Business

USEFUL LOOK AHEAD

FEBRUARY 1962

WORLD FORCES U.S. CHOICE:

## BLOC OR NATIONAL POLITICS STRENGTH

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How White House makes laws PAGE 32

Labor lobby's aim for '62 PAGE 29

Qualities of victory: **Ingenuity** PAGE 56

How to reach your best markets PAGE 36



NEW '62 FORD "MEDIUMS" offer a choice of four engines, including America's most popular truck V-8's! Conventional and Tilt-Cab models up to 21,000 lbs. GVW.

# Ford's full-time economy only starts with low price!

**New 'Big Six' engine brings you the long-term savings of 27 special heavy-duty features—more than any other Six its size!**

You save from the first, save full time with new '62 Ford medium-duty trucks! Ford's new 262-cubic inch "Big Six" is

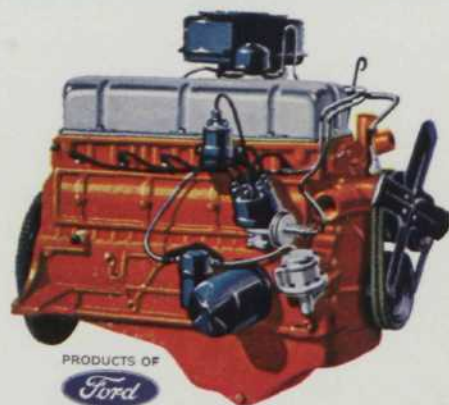
one big reason why. Its heavy-duty design includes features ordinarily reserved for larger, more expensive engines. These features do more than save engine wear and upkeep. They help keep your engine in condition to deliver maximum gas savings, mile after mile.

Now to these savings add more savings. Savings on oil, with a full-flow filter that extends oil changes to 4,000 miles.

Savings on clutch life with a new heavy-duty 11½-in. clutch for delivery work. The full record, covering three years of independent tests, is in Ford's Certified Economy Reports. See your Ford Dealer and start saving... full time!

**FORD TRUCKS  
COST LESS**

SAVE NOW...SAVE FROM NOW ON!



PRODUCTS OF  
**Ford**  
MOTOR COMPANY

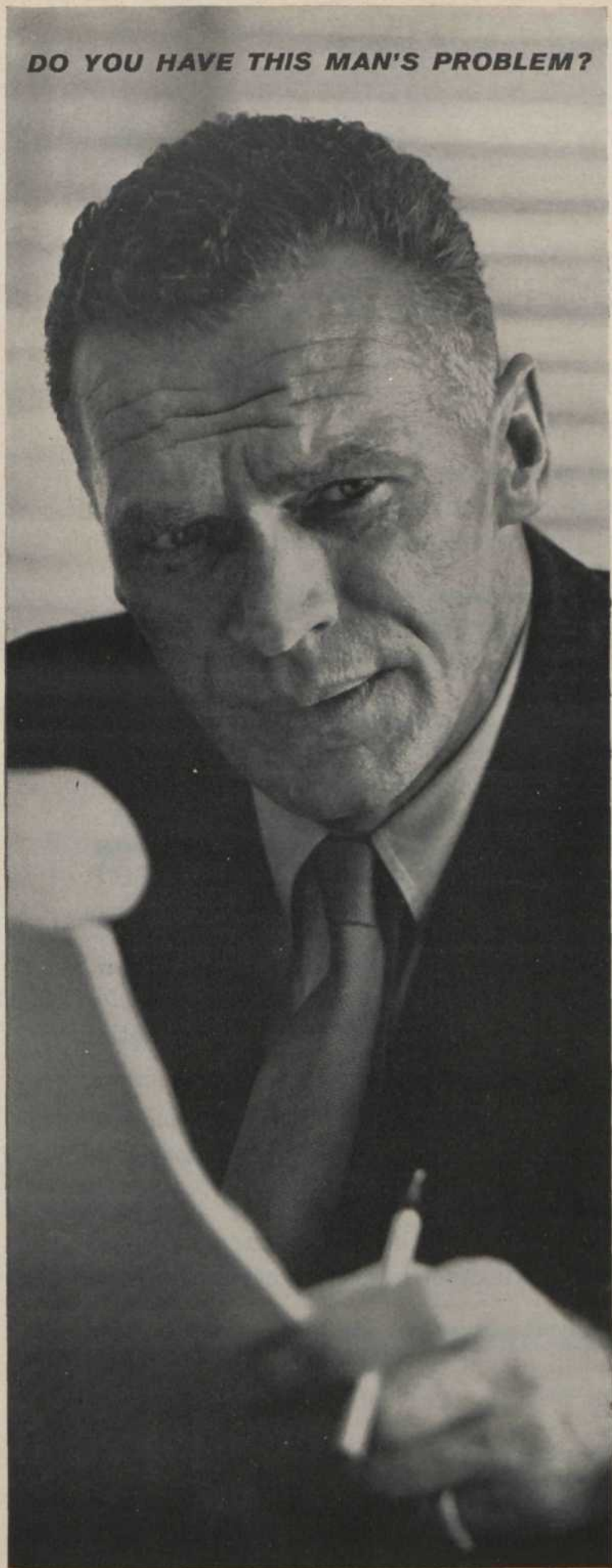
## Here are some of Ford's 27 special heavy-duty features—and how they save !

Sonic testing of block detects hidden casting flaws, provides uniformity and strength. "Eatonite" facing of intake valves triples the normal life span of valve faces. Solid "Eatonite" seats (as well as facing) for exhaust valves resist burning and warping; valves last far longer. Forged crankshaft extends life of both crankshaft and main bearings. Cast steel liner in upper groove of aluminum pistons minimizes the wear usual at this point. Positive crankcase ven-

tilation cuts oil dilution and sludge formation—leading causes of engine wear. Induction-hardened lobes provide extra camshaft durability. Special water jacket warms carburetor to prevent icing, eliminates need for troublesome butterfly valve. Double belt drive for accessories lessens load on belts, increases belt life. Depth-type full-flow filter, more efficient than pleated-paper types, enables oil changes only every 4,000 miles.



**DO YOU HAVE THIS MAN'S PROBLEM?**



*"How can we free our  
salesmen from servicing  
details—so they  
can do more selling?"*

**Answer: invite out-of-town  
customers to call "Collect"  
when they have questions**

This idea is paying off for companies all over the nation. Here's an example:

Flick-Reedy Corp., Illinois manufacturer of power cylinders, asks customers to call Long Distance "Collect" to any of its home office departments about any service need or questions. Salesmen are spared many routine service chores, so they can concentrate on selling. And customers praise the service.

*Many business problems* are really communications problems. And they can be solved by effective use of Bell System services such as Long Distance... Private Line Telephone... Teletypewriter... Data Transmission... Wide Area Telephone Service. Talk with one of our communications consultants about them. Just call your Bell Telephone Business Office.

**BELL TELEPHONE SYSTEM**



Solving business problems with communications

# Nation's Business

February 1962 Vol. 50 No. 2

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Washington, D.C.

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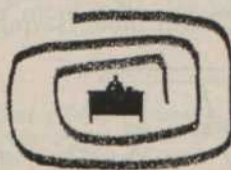
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Nation's Business is published monthly at 1615 H St. N.W., Washington 6, D. C. Subscription price \$18 for three years. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices. Copyright, 1962, by Nation's Business—the Chamber of Commerce of the United States. Nation's Business is available by subscription only.

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# HELLO

## 60 NEW 9000-HOUR LAMPS



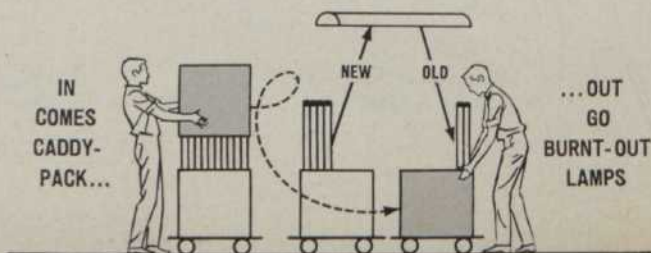
## New 60-lamp Caddy-Pack makes group relamping

Where are the big moneysaving ideas in lighting coming from today? Sylvania! Take Caddy-Pack, the latest:

60 new 9000-hour "Lifeline" fluorescents come packed safely, conveniently in one container. Yes, 9000 hours! And 3100 lumens! And standard price, too! Already you're ahead on costs. Zip open the Caddy-Pack. The top is specially designed to hold the old tubes you replace. No more fumbling with lots of containers . . . or loose tubes. Relamping becomes almost as simple as switching razor blades!

Caddy-Pack and Sylvania "Lifeline" tubes are typical of

the many ways Sylvania gives you lowest TCL — Total Cost of Lighting. With brighter, longer-lasting lamps. With moneysaving methods. With moneysaving ideas.







# GOOD-BYE

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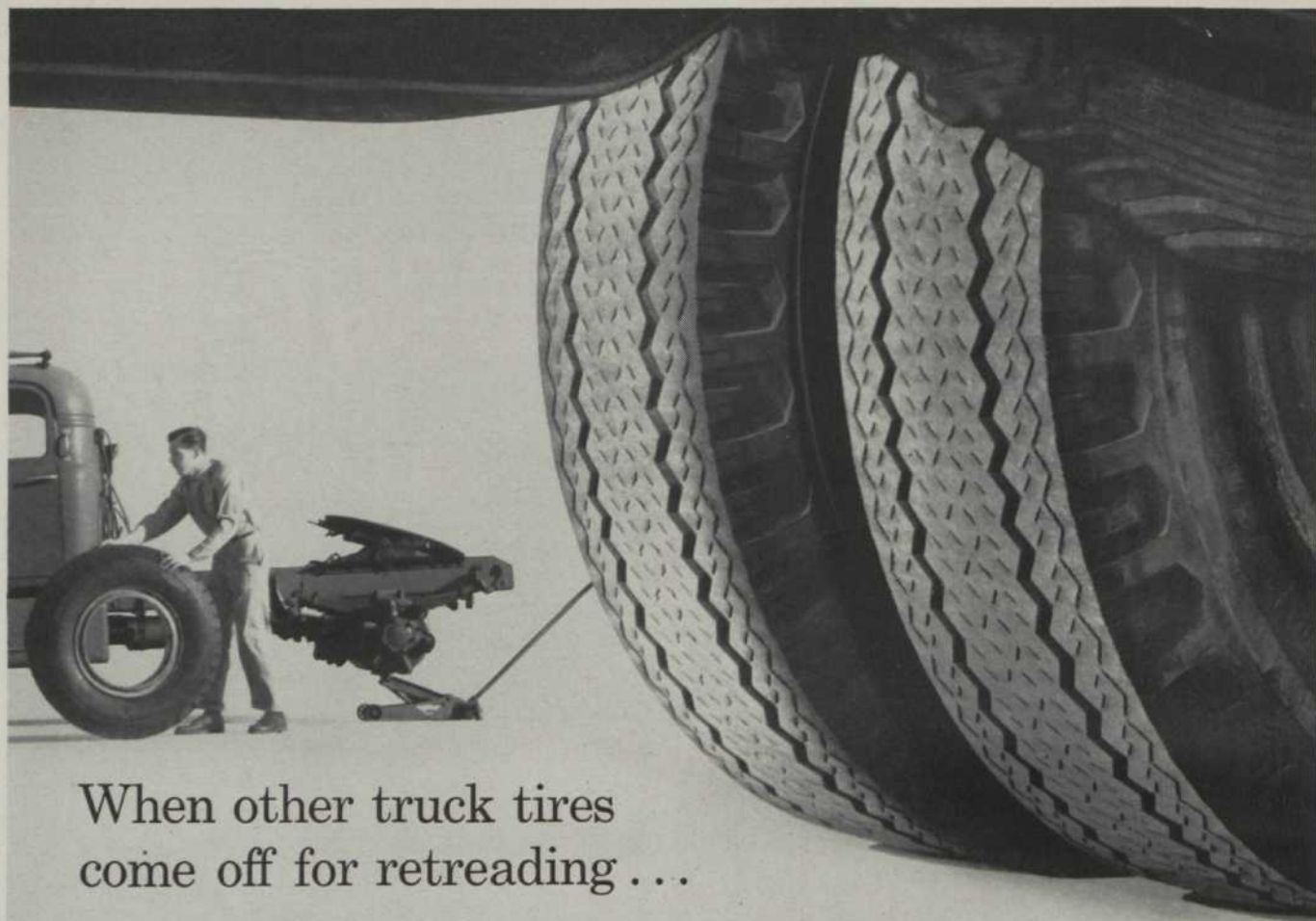
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\*"If at any time a Sylvania Fluorescent Lamp fails in your opinion to provide better performance than any other brand fluorescent lamps, on the basis of uniformity of performance, uniformity of appearance, maintained brightness and life, it may be returned to the supplier for full refund of purchase price."




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come off for retreading . . .

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# WASHINGTON BUSINESS OUTLOOK

**Pick a number** from 550 to 575. Place a dollar sign ahead of it and write the word billion after it.

You've just made your own prediction for total production of goods and services in the U. S. during 1962.

**Economic foregessing** isn't as simple as picking numbers at random, of course.

But the number you've picked is within the range of probability for the '62 gross national product—and your choice is likely to be as good as those of the experts.

(You can check your choice with chart at right. It's based on Nation's Business talks with forecasting specialists.)

Usually, when business is trending upward as it is now, economists agree on numbers within a rather small margin of difference.

Not so at this time.

The range of business volume forecast by economists is wider than usual because of uncertainties related to the possibility of a steel strike at midyear.

**Chances are good** there'll be no strike.

Main reason: Government will try hard to keep it from happening.

But uneven economic trends are expected anyway—and it's mainly the prospect of this wiggly trend that worries economists about the second half of this year.

Here's the picture taking shape:

Steel users, knowing a strike could come, plan to put some steel aside. They'll put more aside if negotiations aren't going well, less if a settlement appears in the making.

In either case, production between now and summer will exceed actual use of steel.

Then, if a walkout does come in July, the stockpile will be used up quickly. But if a shut-down is averted, the users of steel will need to whittle down their stockpiles.

That means, for a while after July 1—the

strike deadline—that consumption of steel will exceed output.

**Many other business lines** will follow the same course as steel.

That is: An inventory build-up between now and summer, an inventory use-up for two or three months starting with July.

**Total impact of this expectation** on the nation's economy will be this:

Business will spurt ahead rapidly in the next four to five months.

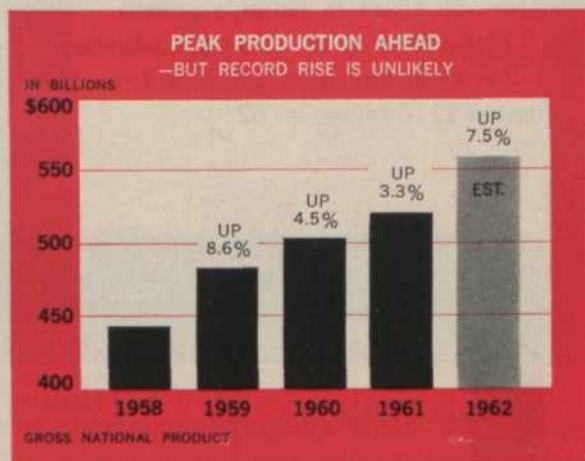
That's a sure trend.

Then, in summer and early fall, the rate of national expansion is likely to fall off a bit.

This doesn't mean recession.

Far from it.

Here's a place to watch out for semantics of economics. What's expected is that the national economy will be moving ahead at peak level—but percentage increase could be a notch lower than now.



It's this situation which troubles some forecasters and accounts for the wide range of business expectations during that period.

Chart above is provided to help you with over-all perspective. It shows total output of



goods and services, with percentage increases for each year. Year ahead is estimated with help of economists who have a good record of forecasting.

Worth noting:

A 7.5 per cent increase is estimated for '62 over the past year.

That compares with 5.6 per cent annual average between 1950 and the present.

**For your business planning,** keep this idea in mind:

If troublesome steel negotiations—and accompanying inventory trends—are cleared up in time, you can boost these estimates of the future by a sizable amount.

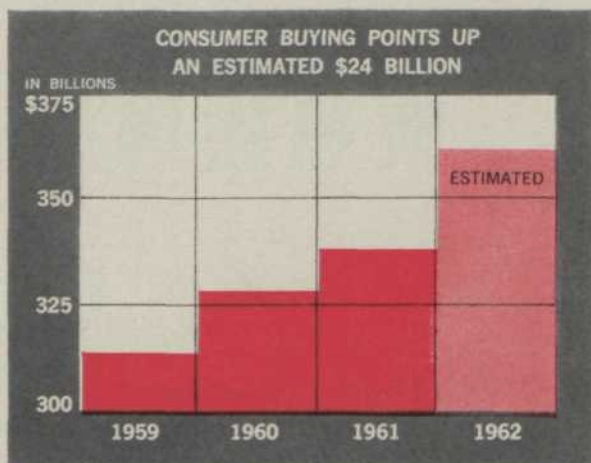
After a spring spurt you can look forward to an autumn zoom.

There's a good likelihood—in that event—that the total output of goods and services will reach close to the magic \$600 billion annual rate 12 to 15 months from now.

**A hard look at the facts** shows consumers give real spark to nation's growth.

Projections show these probabilities:

Personal buying of goods will reach an estimated \$210 billion in '62.

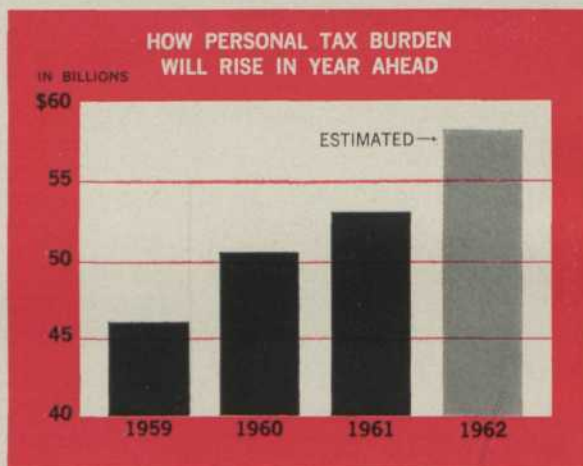


That means a \$6 billion rise for durable goods and an increase of about \$6.5 billion for nondurable goods.

Spending for services in '62 will total approximately \$153 billion.

Increase is at least \$11.5 billion.

Total rise in consumer spending: About \$24 billion.



**Personal tax burden** also goes up.

Indicated is a \$5 billion rise to an all-time peak of \$58 billion.

**Unions are moving on Congress** with forceful demands for legislation they hope will pass this year.

Union lobbyists number more than 125.

Their job: Pressing for passage of legislation that includes a socialized medicine program as part of social security, federal interference in local school systems, training programs for unemployed workers with no job skills.

Union men also are trying to block some legislation.

Examples: They want to defeat a proposal that would extend antitrust laws to unions, another that would outlaw strikes at defense locations.

Who are these lobbyists? How do they work?



# WASHINGTON BUSINESS OUTLOOK

Why the bigger effort this year? What is their expectation of success?

Answers on page 29.

**Your action as a citizen** also has impact on Congress, on the White House.

What can you do?

In 15 key cities throughout the country this month and next business leaders such as yourself will meet to discuss legislative issues important to business.

For information write: Aircade for Citizenship Action, Chamber of Commerce of the U. S., Washington 6, D. C.

## **New records are set for weekly pay.**

More than half the factory workers in the nation are being paid \$100 or more.

Average weekly pay for seven million production workers in durable goods industries rose \$8.20 in the past 12 months.

## **Credit buying will rise.**

That's opinion of a top credit specialist, William J. Cheyney, executive vice president of the National Foundation for Consumer Credit.

New expansion of credit will mean that a record amount will be owed by Americans before this year is over.

Amount declined last year.

Trend is going like this:

Americans owed \$51 billion in '59. Figure went up to about \$56 billion in '60 then slipped back to about \$55 billion last year as consumers caught up on their debts.

Now the trend is turning around.

Question is: How much rise is coming?

Mr. Cheyney thinks total consumer credit outstanding may rise to about \$60 billion in the next 18 months.

That, he believes, is sound expansion of credit buying and will make a contribution to the nation's economic advancement.

In an exclusive interview with editors of Nation's Business (which starts on page 38),

Mr. Cheyney says Americans are not over-extended on their credit commitments and are not likely to become so in the foreseeable future.

**Momentum will push** government expenditures for goods and services up another \$10.3 billion this year.

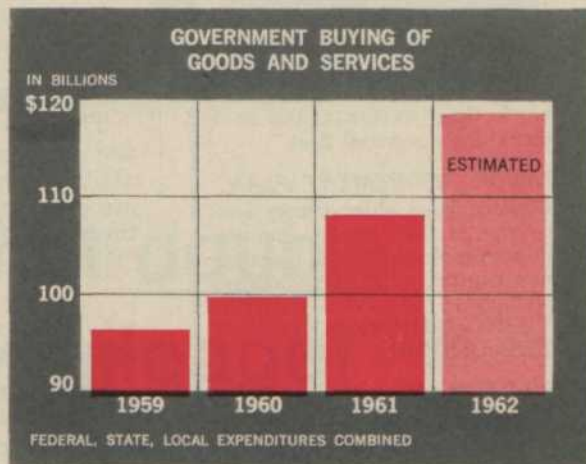
Two-year rise: \$19.3 billion.

That's expectation shown by a new projection of federal, state, local government buying of goods and services during calendar 1962 (pay-rolls not included).

**Big jump comes** apart from President Kennedy's new budget proposals to Congress.

Momentum was started last year with speed-up of contract placement.

Deliveries are beginning to come in and payments will be due.



Federal purchasing—up about \$4.2 billion last year—will rise half again that much this year.

**Don't overlook spending** by state and local governments. That item of taxpayer cost will rise about \$9 billion over the 1960 outlay—no slow-up in sight.





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THRU**

**National Lease**

**ONE invoice, FULL service,  
NO capital, NO upkeep!**

END your truck headaches with one of these NATIONALEASE-for-Profit plans. Your LOCAL owner-managed NATIONALEASE affiliate has full authority with no distant "home office" restrictions.

Choose one of these plans and ask your local NATIONALEASE affiliate to fit it to your operation, your cost requirements:

• **CHANGE-OVER PLAN**

Trucks, facilities, personnel—ALL REDESIGNED into one efficient, full-service, lease-for-profit, NATIONALEASE program.

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As you expand, DON'T BUY new trucks — convert truck-by-truck thru NATIONALEASE to a clean, fully serviced fleet.

• **TRUCK RETIREMENT PLAN**

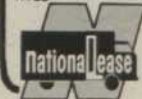
Replace your older trucks one-by-one as they become maintenance problems without investing new capital. ALL NATIONALEASE plans cover full service—EVERYTHING FURNISHED BUT THE DRIVER.

• **PILOT PLAN**

Try NATIONALEASE for one truck, one location, or one division. Compare the one invoice, all costs known-in-advance to the thousand-and-one headaches concerned with tires, painting, licensing, insurance, washing, repairs, and other upkeep details (including office as well as shop time) of your self-owned trucks.

National know-how; local controls—write for literature.

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## Business opinion:

# Meanings often distorted in the battle of words

WE IN THE UNITED STATES are beginning to realize that one of the areas where the communists have been most successful is in the battle of words. There is the further growing realization that this success is due largely to semantic association—the false equating of one verbal proposition to another, and the subsequent assumption of the false premise thus implied.

This has also been a device of the self-styled liberal for years, and it is interesting to note the success it has had even among stanchly conservative writers.

I have in mind the overwhelming and tacit acceptance of the term "labor" when in fact the writer or speaker is actually referring to "labor unions."

Years ago the unions falsely equated unionism with the laboring man. Building on this false premise, they have now taken over the term "labor" as being the one and only equivalent of unions.

This, of course, is not true. There are countless instances where the attitudes and actions of union rulers are contrary to the best interest of the majority of working men, i.e. "labor."

WARREN T. JESSUP  
Hollywood, Calif.

### Capsuled comments

I found your January issue particularly interesting and helpful.

Here are my capsuled reactions: Washington Mood—Quiet and truthful humor.

State of the Nation—Good advice for parents and a morale booster for teachers.

England's Plight: Warning to U. S. Transport—Important facts for our socialist-oriented government to bear in mind.

What You Can Do About Communism—Things we all know, but don't do enough about.

Qualities of Victory: Enterprise—A sound philosophy if held to sensible limits.

Personal Outlook—Good. Even though you can't take it with you,

you can keep it around to say good-bye to.

Test Your Judgment—An ego deflator and good fun.

WM. O. SUTPHEN  
Edina, Minn.

### Contribution to defense

Many, many thanks in the name of civil defense workers everywhere for the fine article, "Survival Plans Your Company Can Use" [December].

This article is an excellent manifestation of leadership on the part of the Chamber of Commerce of the United States. While basically this article is addressed to business, it most certainly encompasses the scope of the profound basic declaration of national defense, which included "nonmilitary preparedness."

This is well within the concept that if this country is to survive an attack, industry must survive and that with the proper education and information disseminated to employees at the work-place a large portion of our public will survive.

V. L. COUCH  
Director  
Industry Office  
Office of Civil Defense  
Department of Defense  
Battle Creek, Mich.

### Observer impressed

I was particularly impressed by the editorial "The Fourth R" [December].

May we reprint this article in our newspapers, *The Observer* and *The Reporter*?

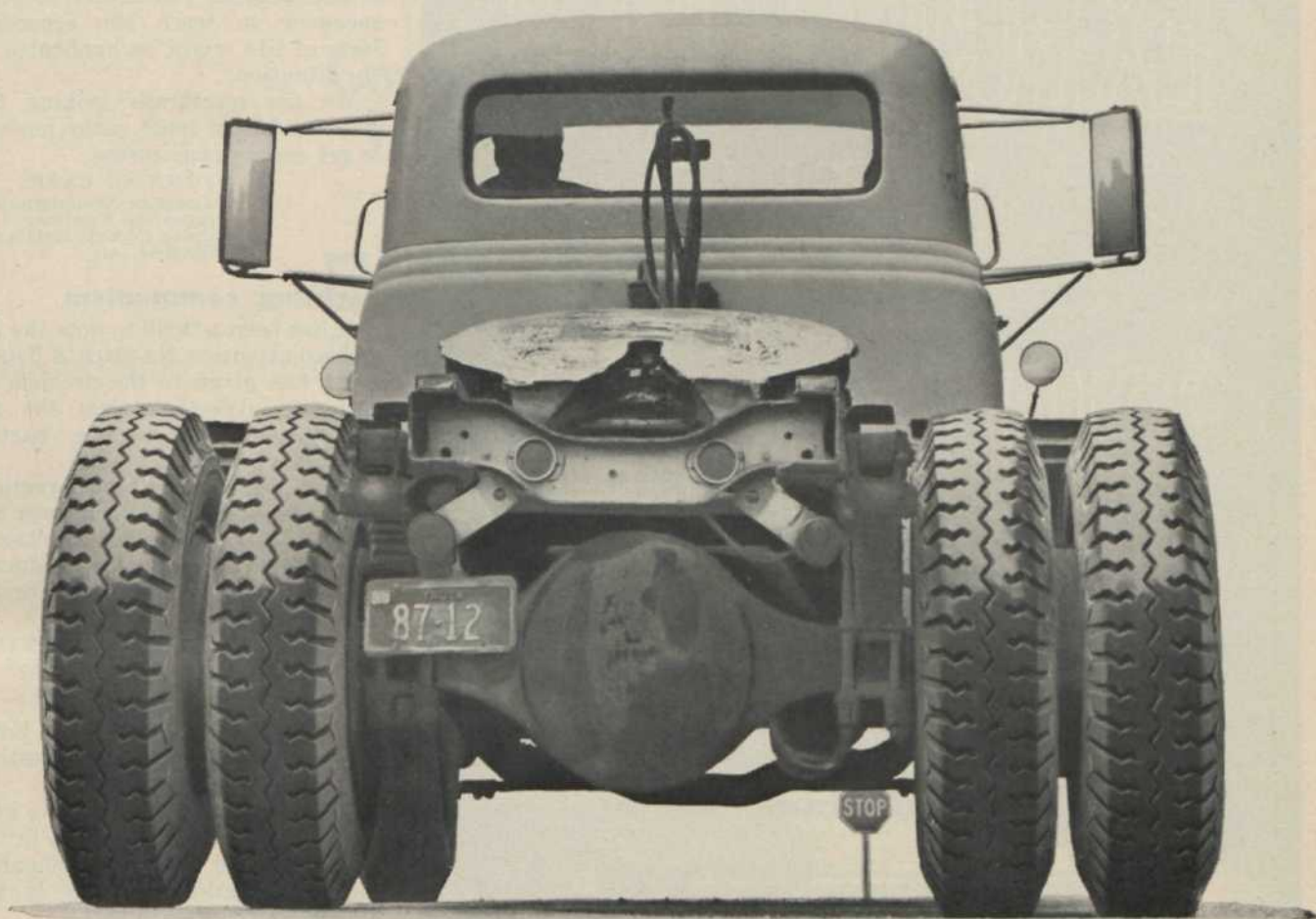
JAMES L. LYON  
Executive Vice President  
and General Manager  
Observer Publishing Company  
Washington, Pa.

►Permission granted.

### Facts of life

At the Sheffield plant of Union Carbide Metals, we in the Industrial Relations Department have placed a series of economic educational exhibits in our display case. We are, of course, trying to illustrate the effects of the cost-price squeeze, and domestic and foreign





## New! Tires that double drive-wheel mileage!

Yes! Double the mileage! *Twice* as much as you get from ordinary truck tires on drive wheels!

We call this new truck tire the Super Cross-Rib. And with it come many advances in tire design.

Example: "Dual compounding." This brings together a soft, resilient inner tread with a super-toughened outer tread for long mileage. Heat buildup is lower and tire body life is longer.

We redesigned the tread, too. Its depth is 60% greater than that of ordinary tires, with a center groove which has many more biting edges. That means better traction — sideways, as well as forward and backward.

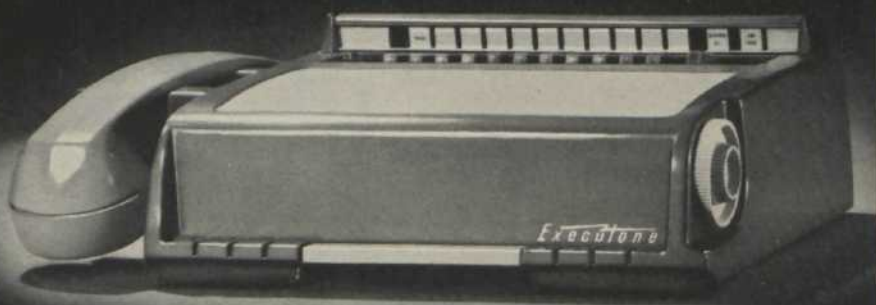
Anytime you can get double the mileage of another tire, you're way ahead. Super Cross-Rib is the way. Goodyear, Akron 16, Ohio.

**MORE TONS ARE HAULED ON GOODYEAR TRUCK TIRES THAN ON ANY OTHER KIND**

**GOOD**  **YEAR**



# EXECUTONE'S NEW "SILHOUETTE"



## THE ULTRA-CIVILIZED INTERCOM

Here's an intercom with all the qualities you'd want in a confidential secretary: good looks . . . perfect manners . . . pleasant speech . . . discretion . . . and a fresh approach to time-saving, cost-cutting efficiency.

With the fully-transistorized, compact "Silhouette" you can talk with any department (even while you're on the phone). It frees phones and switchboard for outside calls. Offers unique courtesy features: calls announced by chime at executive and staff locations; voice volume automatically modulated. Pleasant, practical, too! The "Silhouette" pays its own way, saves on your telephone bills. Why wait? Write for full details and informative 14-page booklet.

Dept. L-3, Austell Place, Long Island City 1, New York  
In Canada: 331 Bartlett Avenue, Toronto

**Executone**

## Business opinion:

competition on our plant, our company, and our industry.

It has occurred to me that some of the methods you utilize in your endeavor to teach the economic facts of life might be applicable to our situation.

We are specifically looking for visual aids and terse, pithy posters to get our message across.

JOHN C. CASE  
Assistant Administrator  
Industrial Relations  
Union Carbide Metals Co.  
Sheffield, Ala.

### Fighting communism

It has been a thrill to note the increased attention NATION'S BUSINESS has given to the problem of national survival against the socialist-communist menace, particularly during 1961.

The keen insight and practical solutions which have long been applied to solving business problems may well be a vital factor in educating our business leadership for its very survival.

WARREN B. APPLETON  
Brockton Edison Company  
Brockton, Mass.

"What You Can Do About Communism" [January] is interesting and informative.

The best and quickest way to give communism a major setback in the U. S. A. would be to denationalize the public utility holdings in the nation, starting with TVA.

This would set the communists back 25 years.

WILLIAM HALEY  
Belleville, N. J.

### Three for Thiokol

"Men and Management" is an internal monthly reading service publication of the Wasatch Division of Thiokol Chemical Corporation. Its objective is to provide a timely, purposeful, and balanced reading program for key management personnel.

We consider "Management is a Three Part Job" [December 1956], "Managers Need Three Smart Teachers" [January 1957], and "How to Make a Business Decision" [April 1956] outstanding. We believe these articles will be of particular interest to our executive leadership. Your approval to reprint them would be sincerely appreciated.

H. C. ANDERSON,  
Head, Training & Development Office  
Thiokol Chemical Corp.  
Brigham City, Utah

►Permission granted.



MONDAY, JULY 18, 1938

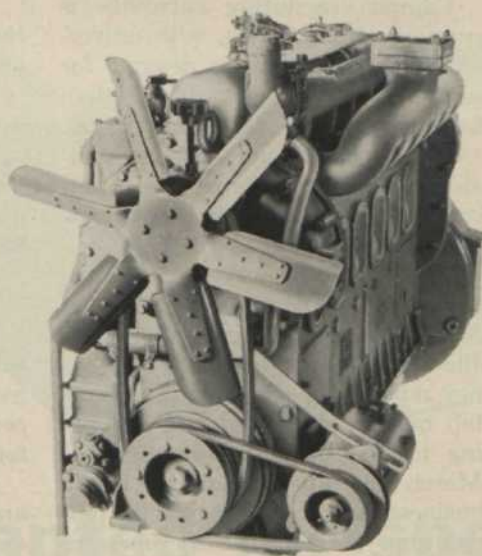
## Corrigan in \$900 Ship Flies Ocean in 28 Hrs.

Monday, October 31, 1938\*

## FAKE RADIO 'WAR' STIRS TERROR THROUGH U.S.

THURSDAY, SEPTEMBER 22, 1938

## Hurricane Rips N. Y. Area, 8 Are Dead on Long Island, 80 Killed in New England



## 1938—The year Diesel obsolescence died

24 years ago, Diesel engine progress took a giant leap forward.

For in 1938, GM Diesel introduced the unique *family of engines concept—a complete power line built with one standardized design*. The objective: that the experience of the past and the advances of the future be combined in every engine developed from that moment on. Suddenly, GM Diesel had taken a major step toward making obsolescence obsolete!

Today, thanks to the original family of engines concept, GM Diesels of

the past *can* be brought up to 1962 standards of performance and savings! GM Diesels built today *can* benefit from all the progress to be made in years to come!

Look to the future when you buy, and you'll specify GM Diesel. It's available in—and enhances the value of—every type of equipment.

Detroit Diesel Engine Division, General Motors,  
Detroit 28, Michigan. (In Canada:  
General Motors Diesel Limited,  
London, Ontario.)

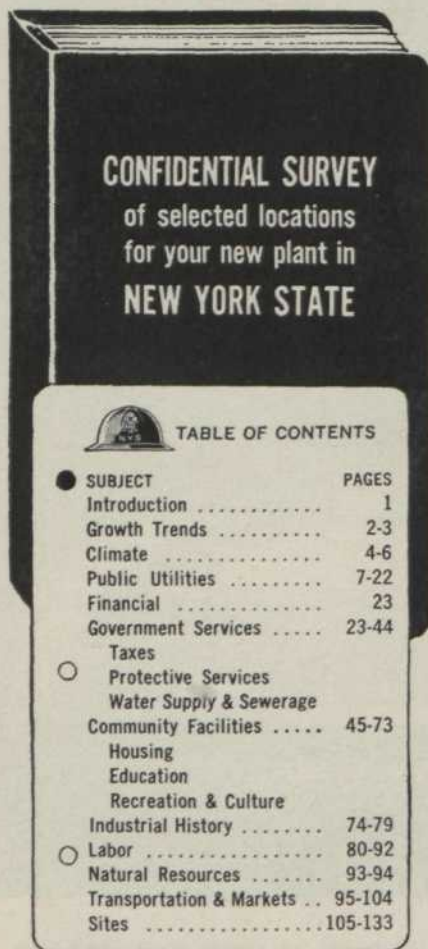
# GM DIESEL

SERIES 53 & 71 ENGINES

One proven design throughout the line builds greater value into every engine



# FREE TO COMPANY OFFICIALS LOOKING FOR A NEW PLANT SITE



**TAILOR-MADE REPORTS.** The table of contents shown above is typical of the survey of selected plant locations that we will prepare for your organization. Simply send your specific requirements on your business letterhead to Commissioner Keith S. McHugh, New York State Department of Commerce, Room 3517, 112 State Street, Albany 7, N. Y.

*Keith S. McHugh*

Keith S. McHugh, Commissioner  
New York State Department of Commerce

## Executive Trends

- Campus recruiting outlook hectic
- Are you a problem boss?
- New uses for computers predicted

Your company will have to reckon with increasing competition in hiring college graduates this year.

Campus recruiting currently is running at a hot clip, with universities reporting greater demand for midterm and June graduates than has been the case for several years.

Even many small and medium-sized firms which formerly did not conduct on-campus interviews now have talent scouts in the field.

Typical of the increased recruiting activity is the situation at Michigan State University, where Placement Director John R. Kinney reports his office had its busiest fall quarter on record and is looking toward hectic competition for March and June graduates if the business upturn maintains its momentum. (Michigan State operates on a quarter system.)

Demand is high for both technical and nontechnical graduates, and starting salaries are reported at levels significantly higher than graduates received a year ago.

More and more, company recruiters are contacting students early in their academic careers. Promising undergraduates are tapped for summer jobs, a technique which establishes a link between student and company and gives the employer a good will ambassador when the student returns to classes.

Placement directors say the booming demand for graduates reflects rising business activity and

keener competition for a youth-power pool which has been decreased by the military build-up.

How much is a college degree worth on today's job market?

Indiana University estimates the worth on this scale:

This winter's technical graduates with bachelor's degrees will command starting salaries of about \$560 a month.

For a master's degree—\$650.

For a doctorate—\$870.

In nontechnical fields, starting salaries are a bit lower, on the average. Here graduates will receive about \$470, \$570 and \$860 for the three respective degrees.

In particularly heavy demand are accountants, engineers and scientists. Many campus recruiters also are looking for qualified manpower, especially for those companies which need technical people and find demand greater than supply.

Look for computers to do some surprising new jobs in business and industry before this decade ends.

That's the forecast of leading computer authorities who met recently in Washington for a national conference on developments in their industry.

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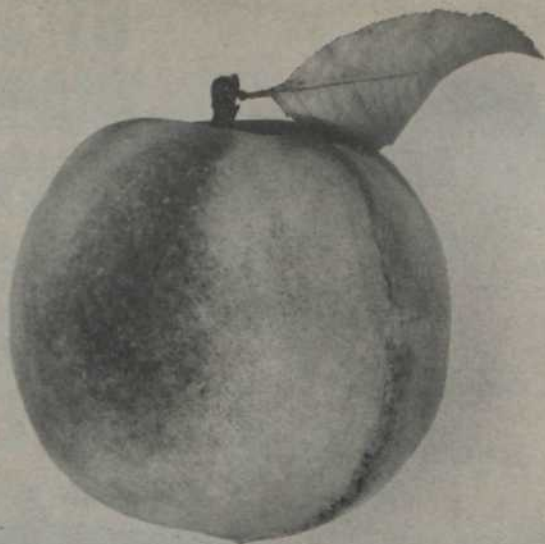
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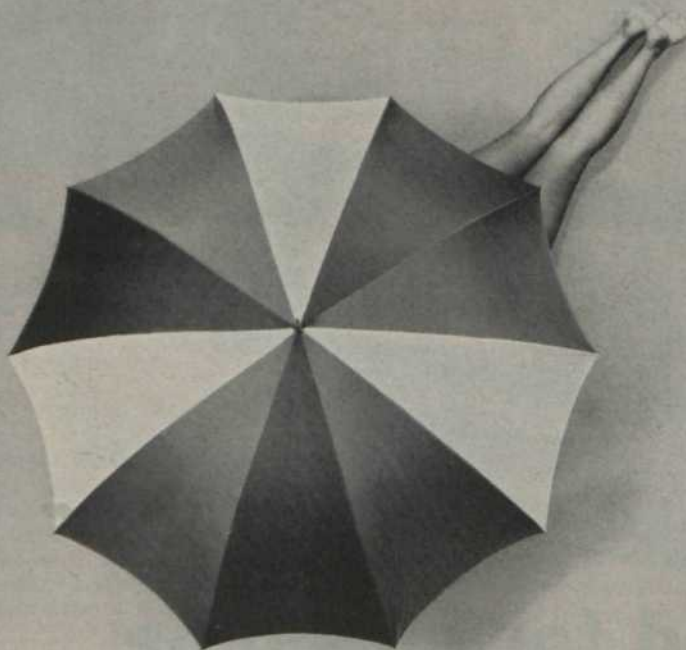
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## EXECUTIVE TRENDS

*continued*

tions of competitors, effect of new products on markets and the economy as a whole.

They'll be used also to mechanize legal libraries, enabling attorneys to get speedy answers to legal questions or to work up court arguments. One researcher already has the complete laws of the state of Pennsylvania on tape.

Computers also will be used by trial lawyers as mechanized index systems to manage the stacks of evidence which accumulate in anti-trust cases.

• • •

**Are you a "problem boss"?**

That's how Nat Noble, director of the American Management Association's Executive Action Course, describes managers who:

- ▶ Are domineering.
- ▶ Fail to listen to what subordinates and others in their companies tell them.
- ▶ Make decisions without weighing all available facts.
- ▶ Refuse to believe that subordinates might have more skill than they in doing a particular job.
- ▶ Fail to take people's feelings into account when they act.

In almost seven years of association with AMA's course, consultant Noble has had ample opportunity to observe the reactions of top-level executives as they pass through the sometimes painful process of cross-examination by their fellow course participants.

These sessions have convinced Mr. Noble that self-understanding is the key to more effective business leadership, especially when coupled with a deepened understanding of why other people act the way they do.

A businessman who has any, or all, of the problem-boss defects, Mr. Noble says, can overcome them by learning how to make his executive manner more flexible. In some instances, for example, a strong, authoritarian style is quite proper. In others, getting the maximum effort from one's staff might call for a less forceful, more open-minded approach.





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**SAVINGS AND LOAN ASSOCIATIONS**



## Get-something-done spirit stills party bickering

BY MERRIMAN SMITH

THE SECOND SESSION of the Eighty-seventh Congress has been in its august chambers just long enough for opening amenities and post-holiday fellowship to begin fading before realities of the legislative wrangling ahead. In plainer words, the season for politeness is over and now is the time for all good men to come to the aid of their party.

Aiding one's party equates in the minds of many Democrats with kicking the tar out of the Republicans at every opportunity. Preferably, from the point of view of these more muscular Democrats, Republicans should be accused routinely of everything from having cracked the Liberty Bell to secret support of permanent daylight saving time.

To be sure, there are Republicans of similarly one-way convictions. To them, a Democrat is one who would rather spend taxes than collect them.

The Republicans, being out of national power and something less than winter book favorites to do much about it in 1964, have a great deal more freedom of expression than many Democrats. This is traditionally the case. The party out of power can hack away with much more expletive vigor than fellows who must operate from lofty shadows of the White House and maintain theoretical dignity of a national administration.

Despite this historic imbalance of propriety, there are some Democrats who wish President Kennedy would leap from his rocker and thump the daylights out of the G. O. P. They want Mr. Kennedy to stand on a platform of uniform evilness for all Republicans. Furthermore, they want J.F.K. to have a foreign policy that does not appear to be something spun from tired old webs of Dwight D. Eisenhower, John Foster Dulles, Harry S. Truman and, you'd never believe it, Dean Acheson. What this Vigor Set wants is new action on all fronts and above all, new.

This is a situation well known to the President. It comes up frequently in private conversation with him and it is to the credit of the 44-year-old chief

executive that he is not moved unduly by the rote of political extremism. Rather soberly, Mr. Kennedy regards extremism, either from the scowling right or the breathless left, as the almost unavoidable dividend of complex and tense times.

The President is known to feel strongly there are two simple American essentials for survival and a modicum of progress in what is certain to be a dreadfully long contest between communism as represented



*President stays on friendly terms with Sen. Dirksen, other Republican leaders*

by current Soviet policies and free societies as exemplified by the Atlantic Community. These essentials: building the internal strength of noncommunist nations so they're not sucked into the Soviet system, and maintaining an American economy of steady upward progress and broadly based benefits.

President Kennedy tells friends and associates that even to come close to these essentials will require a lot more than Democratic support. He must have a certain amount of Republican backing for almost all major undertakings of his Administration, and this will be exceedingly difficult when battle lines for congressional elections become more plainly defined.

The President's problem is complicated by the

*Merriman Smith is the White House reporter for United Press International.*



obsolescence of a once-sound political theory—that classic partisanship began to blur and, to a degree, disappear at the water's edge. In today's world of jet aircraft and guided missiles, there is no water's edge. Foreign and domestic policies of a national administration become increasingly interlocking. No longer is any section of the United States untouched by the tragedies of Goa or earthquakes in Chile.

This is not internationalism as a doctrine, but a condition of fact. Our once impregnable oceanic walls now are little more than fences for keeping out strangers.

This means that the occupant of the White House must be increasingly careful about applying the knout to his opposition except in the most heated stages of legislative conflict or during the understandably open season just ahead of an election.

For these and other reasons, President Kennedy puffs contemplatively on his half-sized cigar and shapes his reply with care when an ardent supporter urges that he become more bare-knuckled. At just such a recent pleading, an ear-witness reports that J.F.K. listened placidly while he was asked why he was not taking a more partisan position in public.

Then the President said that, with the world what it is today, he needs all possible support from all possible people; that a highly charged political position by a President is decidedly out of step when he's trying to keep his political opposition strongly behind his foreign policies. He can't very well clobber a man or group in public over an issue that seems purely domestic, then ask their support for his proposed overhaul of the reciprocal trade program.

This does not mean that President Kennedy is about to drop some choice patronage plums to the Republicans. Nor does it mean any reduction in his efforts to keep G.O.P. membership in Congress to a minimum. But he is trying to tell his friends that he must carefully pick his opportunities for clouting.

The chief executive is aware that he will continue to be on the receiving end of some rather elaborate criticism by such key Republicans as their national chairman, Rep. William E. Miller from the Buffalo, N. Y., district. Mr. Miller, as befitting his role, throws a multitude of sharp shafts at President Kennedy. The President, however, feels that when it comes to foreign policy, the Republicans have only one recognized spokesman—General Eisenhower. Thus far, the former President has met, and possibly more than met, traditional standards for supporting foreign policies of the White House as those of the nation.

President Kennedy, for example, feels that General Eisenhower has been particularly helpful in his stand on foreign trade, as have other key figures of the past Administration, among them former Secretary of State Christian A. Herter. For certainly as long as Congress is in session, Mr. Kennedy does not want to dissipate the high-quality help of the Eisenhowers and the Herters by diatribic political statements.

It may seem incongruous in a climate of guarded

togetherness that Mr. Kennedy would push medical care for the aged financed through social security, (described as compulsory insurance by its opponents) and federal money for school construction and teacher salaries. Both are tested congressional blood pressure-boosters and regarded by some as legislative loss-leaders. President Kennedy, however, regards both plans as inevitable.

He believes public support for both ideas has reached the point where Congress will get the message and pass them at this session.

Furthermore, the President is represented as believing this public support will produce some pro-Administration votes from anti-Administration members. In fact, he faces about as much opposition on these issues from more conservative elements of his own party as from the Republicans.

Feeling somewhat inhibited about indulging in conventional party muscularity, President Kennedy seems to have found another target and a group of target-people who appear to derive a certain amount of pleasure from being castigated. These are the so-called right wing extremists. Many of these people are quite sincere, many are undoubtedly opportunistic.



Regardless of motive, they make a good, safe target. President Kennedy began unloading on them in the late fall of 1961 when he was faced with a series of political speeches in the West. In the few political outings he permits himself during the next few months, the President may find it more advisable to box the ears of the John Birch Societies and reasonable facsimiles thereof, than to put the knock on Republicans per se.

Speaking privately with friends, the President is pictured as more restrained about the far-out right wingers than he is from the podium. This does not represent a shift in sincerity or belief, but the expected difference between oration and conversation. Conversationally, the chief executive regards Birch Society members and those of similar display as symptomatic of world tension which leads some of his uneasy fellow countrymen to seek out and embrace banners of safety, solution and solace.

What seems to disturb Mr. Kennedy most about the far-to-the-right movement is that it attracts a certain number of genuinely patriotic men and women and solidifies in them a belief that the major threat to their way of life lies within the United States rather than outside. The President believes that the primary threat to America is, has been and, for the foreseeable future, will continue to be external—the Soviet system.

It would be less than perceptive to picture mid-winter Washington as pessimistic or optimistic. These are emotions that vary from day to day on the latest word from such diverse fellows as Khrushchev and Sukarno, Tshombe or Castro; once strange-sounding names, now part of our coffee talk.

More than swinging high or low, the attitude of midwinter Washington seems to be one of work. There is a get-something-done spirit in the leadership of both political parties. Whether it is to each other remains, of course, to be seen.



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## Representatives-at-large upset basic principles

BY FELIX MORLEY

WHEN A NEW House of Representatives is chosen by the voters in November, a sizable number of its members will be in a special and dubious category. They will be "congressmen-at-large." They will be elected not from specific districts within their respective states, but from those states as a whole.

Except in a state which has only one representative, the congressman-at-large is clearly an anomalous phenomenon. He need not be a resident of any particular area within his state, and therefore lacks the localized responsibility of the normal congressman. Unlike a senator, his term of office, unless he is constantly re-elected, is too brief to permit acquaintance with all the problems of the area he represents. Yet he is in fact, though not in name, a sort of senator, elected for two years instead of six and holding a seat outside the legislative chamber in which he logically belongs.

As long as there were only a handful of congressmen-at-large, and never more than one from any single state, this distortion of our political system was not serious. But what used to be exceptional now threatens to become customary. Because of tangles in their legislatures it was until recently quite probable that all the congressmen from the great states of Illinois, Massachusetts and Pennsylvania would this year be chosen "at large." Such contingencies must be prevented, if we desire to maintain representative government.

● ● ●

In establishing this federal republic the Founding Fathers unanimously favored a bicameral, or two-house, Congress. The upper house, they decided, should represent the states as such, with equal representation there regardless of the differences in size and population. The lower house, on the other hand, should represent the people of the various states directly, and in proportion to population.

Thus it is that, in the current Congress, New York has 43 representatives as contrasted with one for Nevada, while each of these states has two senators.

There is nothing accidental about this arrangement. In the discussions leading to adoption of the Constitution it was unanimously agreed that there should be two legislative chambers, each based on a different principle of representation. Before enactment, proposed legislation would have to undergo examination by two separate bodies, organized in such manner as to insure distinct viewpoints. Even then, before a bill could become law, it was made necessary to have the signature of the President, who was given a qualified power of veto.

While this system of checks and balances was based on British experience, the arrangement there, of a House of Lords and a House of Commons, was not



*The Constitution intended lower house members to be close to the people whom they represented*

acceptable to the democratic instincts of Americans. So here the division was made between a Senate representing the states as semisovereign entities, and a House speaking for the localities, urban or rural, as such. An essential part of the plan was that this second chamber should be composed of representatives close to the people for whom they spoke, and



## TRENDS: STATE OF THE NATION

chosen locally by them in periodic elections. Thus Article I, Section 4, of the Constitution gives the state legislatures power to prescribe "the times, places and manner of holding elections." But, to secure reasonable uniformity, it also provides that, so far as House membership is concerned, "the Congress may at any time by law make or alter such regulations."



In the early days of the republic the Congress was reluctant to exercise its overriding authority in this matter. And, since the dominant political factions in the states soon saw the advantage to them of representatives-at-large, an unhealthy situation gradually developed. By 1842, when 26 states comprised the union, only 17 were electing congressmen by districts. The other nine were doing so from the state as a whole, on what was called the general ticket.

It was obvious that, unless reversed, this trend away from district election would go further. Once a political party dominated a state as a whole it would indorse the general ticket, since this could send a solid delegation to the House of Representatives. By the same token this winner-take-all procedure would effectively disfranchise any section of the state where the minority party was locally in a majority.

To meet this problem, now coming to the fore again, the Apportionment Act of 1842 provided:

*"That in every case where a state is entitled to more than one representative, the number to which each state shall be entitled under this apportionment shall be elected by districts composed of contiguous territory equal in number to the number of representatives to which said state may be entitled, no one district electing more than one representative."*

This formula, re-enacted in one form or another until the Apportionment Act of 1929, successfully eliminated the representative-at-large for nearly 90 years. In a number of states, however, he is now staging an active come-back. Legislation currently before the Congress would retire him again, as of 1964, and would simultaneously attempt to meet the kindred problems of gerrymandered districts, and districts of sharply varying population ratios.



Unfortunately the issues involved, varying from state to state, are almost as involved as they are important. Indeed the present revival of representatives-at-large traces back to the sharp upward jump in population shown by the census of 1910. Up to that time the number of congressmen had been increased so that no state would lose any representation previously achieved. By the count of 1910 this meant an addition of nearly 100 new members. It was apparent that a continuation of such enlargements would make the House far too unwieldy for the satisfactory conduct of its business.

Therefore, in 1912, the then existing membership of 435 was made a ceiling. It has now held for half a

century except for the recent provisional increase to 437 to permit the addition of one representative each from the new states of Alaska and Hawaii.

The result of the fixed ceiling, of course, is to alter the congressional representation of the states in proportion to the changes in their respective populations as shown by each decennial census. Thus, as a result of the 1960 census, California will elect eight additional representatives this November and Florida will gain four.

Pennsylvania, on the other hand, will lose three seats, New York and Arkansas two each, Illinois and a number of others one each. The plus and minus scores must balance.

Both the addition and the elimination of congressional districts are very difficult problems for the state legislatures, which have the primary responsibility for reapportionment.

To add new districts is necessarily to carve up some of those already laid out. To wipe out old districts is not merely a matter of merging them with adjacent constituencies unless the principle of approximately equal population for all is altogether neglected. If one party completely controls the legislature, it can, with the connivance of the governor, find a solution of a kind by the unsavory device of gerrymander. When a state legislature is deadlocked on the issue there is great temptation to find a compromise by classifying some, or even all, the congressional districts at large. Fortunately it does not seem that this will be the outcome this Fall in any major state.



In presidential elections the winner-take-all system is firmly established. With few exceptions the electoral vote of each state now goes solidly for one or the other of the major candidates. As a result we often have Presidents who, as at present, did not win a majority of the popular vote. And, while there is much criticism of this highly undemocratic procedure, it is unlikely to be changed because state political organization has been built around it.

The election of any significant number of congressmen by the same general ticket method would be at least equally conducive to election fraud and corruption, and even more injurious to our representative form of government. Since the President represents all the people it may not matter so much when he gets the solid electoral vote of a state in which almost half the voters have gone on record against him. But the House of Representatives was designed to be what its name implies: as closely representative of the people as possible.

Today that objective clearly requires renewal of the congressional mandate in behalf of small and compact electoral districts, at least as definite as the stipulations of 1842. To deny these localities the right to have representatives of their own choosing is to strike a blow at the basic principle of self-government. As individuals, representatives-at-large may be admirable. As an institution there is nothing to be said for their return to the political stage.



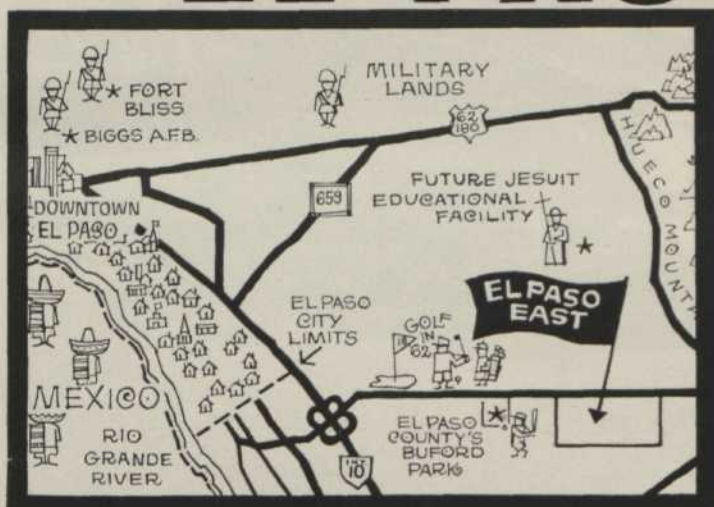
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Dodge Dart 440 4-door hardtop

## ***HOW TO MAKE A FAT FLEET A NEAT FLEET***

Some fleet cars are fat. They're loaded down with excess bulk and useless overhang. They drag around and use gas like it was water. It doesn't have to be that way. The newsize Dodge Dart is positive proof of that.

A '62 Dart accelerates 7% quicker on 5% less gas than its '61 counterpart—because dead weight has been engineered out. For the first time, in any car, you get a significant increase in performance and economy in the

same car. You also get a healthy share of cost-cutting, self-maintenance features. The brakes adjust themselves automatically. Dart goes 32,000 miles between grease jobs. It has a four quart oil capacity. Alternator. Fully unitized body, completely rustproofed with the best anti-corrosion process in the business.

More punch, less paunch, greater value. The new size '62 Dodge Dart...now priced below Ford and Chevrolet. See your Dodge Dealer.

***THE NEW SIZE DODGE DART MEANS BUSINESS***



# Labor lobby's aim for '62

Unions push harder for gains this year because next Congress will likely be more conservative

MORE THAN 125 union lobbyists are doubling their efforts to get a tax-financed compulsory health plan, federal intervention in education, manpower retraining, and other union-backed legislation through this session of Congress.

At the same time they are going all-out to block legislation which would extend the antitrust laws to unions, prohibit strikes at strategic defense facilities, and other proposals which they view as objectionable to organized labor.

Coupled with the labor lobbyist's knowledge that his job is tougher this session than last is his realization that it will be even tougher next year because, unless there is a political upset in the next elections, the new Congress will be less receptive than this one to his pleas. [See "Labor Worries," NATION'S BUSINESS, January].

Hence, if unions are going to make any real legislative gains in the next few years, their political leaders feel their best chance to make them is now.

"Let's face it," Robert Oliver, free-lance labor lobbyist, told NATION'S BUSINESS. "The climate around the country is changing and tougher bills are coming up this session. We got the easy ones through last year.

"On some bills, such as medical care, we face another problem. Some of our best friends in Congress—

members we usually can rely on—are against us."

The former chief lobbyist for the old CIO roams Capitol Hill for several unions but devotes most of his time to legislative projects which interest his old boss, Walter P. Reuther, United Automobile Workers president and former CIO chief.

Frank N. (Nurdy) Hoffmann, legislative director of the United Steelworkers, cites still other reasons why labor lobbying is more aggressive this year.

"It's always difficult to get legislation passed in an election year," the former Notre Dame tackle points out, "and the reorganization of the House under new leadership will make it even more difficult."

Mr. Hoffmann does not, for instance, expect Congress to grant President Kennedy any alternatives to the 80-day Taft-Hartley injunction to cope with national emergency strikes. The Administration and the union are eager to have other tools, including government fact-finding with recommendations, available to avoid another strike-stopping injunction should basic steel labor contracts expire June 30 without a new labor-management agreement.

Three years ago the Steelworkers fought the injunction all the way to the Supreme Court before submitting to it and ending a strike which lasted 116 days and idled millions

of workers whose jobs depended on steel. Counsel for the union in the court fight was the present Secretary of Labor, Arthur J. Goldberg, who naturally doesn't want to be party to another injunction against the steel union.

Robert E. Howe of the United Mine Workers, which takes a position opposite to most unions on reciprocal trade, national emergency strikes and welfare and pension funds control legislation, says the outlook for all Administration and union-supported legislation is "very poor."

"The rebellion that started in the first session will gain momentum under the new Speaker (Rep. John W. McCormack of Massachusetts)," the former Illinois coal miner predicts.

"I don't think he'll be able to do anything with the Southern Democrats. The coalition (Southern Democrats and conservative Republicans) will get stronger. The Administration program will find rough going."

Not so pessimistic is Evelyn Dubrow, legislative representative for the International Ladies' Garment Workers' Union, who commutes from New York to Washington when Congress is in session.

Miss Dubrow, who has done educational work with other unions and was an organizer for the Americans for Democratic Action, be-



## Labor lobby's aim for '62 *continued*

believes the fact that all members of the House and one third of the Senate must stand for re-election this year "is in our favor," especially on what she calls public welfare bills.

In this group she includes a compulsory health plan, federal intervention in education, emergency public works grants and tax-financed retraining of unemployed workers.

From a union standpoint, legislation being considered in this session of Congress can be put into five classifications:

- ▶ Legislation unions strongly favor, which has a good chance, and on which labor lobbyists will concentrate their efforts.
- ▶ Legislation unions favor, but for which only a token fight will be made because it does not have a chance or is not of special union interest.
- ▶ Legislation on which there are important union differences.
- ▶ Legislation of interest only to particular unions.
- ▶ Legislation unions consider anti-labor and will fight.

### **What unions want most**

Significantly, the legislative measures which union lobbyists interviewed by NATION'S BUSINESS consider most important among those which they feel have a fair chance are social-type proposals. They include none in the strictly labor-management relations field. Mentioned most often as prime labor objectives this session are:

#### *Compulsory health plan for aged.*

Hearings were held in the House, but action was held up in the Ways and Means Committee.

"If we can get the bill on the floor, we can win easily," Mr. Oliver predicts.

The problem in the Senate, he says, is opposition from senators who usually back unions' position on other matters. He specifically pointed to Senators Lister Hill and John Sparkman of Alabama and Sen. Robert S. Kerr of Oklahoma, all Democrats.

#### *Tax-financed retraining of the unemployed.*

In the House, only approval by the Rules Committee and a favor-

able vote on the floor is needed to get this bill through. The Senate already has passed a bill which would authorize spending \$665 million over four years for on-the-job training and vocational retraining of unemployed workers.

#### *Federal intervention in education.*

Legislation which would authorize more than \$2 billion in grants for school construction and teachers' salaries is bottled up for the present in the House Rules Committee.

A similar bill has passed the Senate. The AFL-CIO blames the holdup on controversy over aid to parochial schools.

#### *Emergency public works program.*

Hearings were held in the Senate on a bill which would authorize grants up to \$1 billion to state and local governments for public works projects which could be started and completed quickly as a means of alleviating unemployment. No further action was taken, but unionists hope for passage this session because President Kennedy is pushing it.

#### **Token support**

Union lobbyists will put less effort behind legislation which has little chance or is not of special union interest.

The first category includes revision of the Taft-Hartley labor law, particularly repeal of Section 14 (b) which authorizes states to enact right-to-work laws prohibiting compulsory union membership, as 19 states have done.

Another is federal minimum standards for unemployment compensation benefits, which President Kennedy sponsored as a senator.

Two others are what the AFL-CIO calls "consumer protection" bills, on which hearings have been held in the Senate.

One by Sen. Paul Douglas of Illinois would regulate disclosure of finance charges in credit buying.

The other, by Sen. Estes Kefauver of Tennessee, would regulate drug manufacturers under the guise of lowering drug prices.

One bill which is not of special union interest but is being supported and may pass would establish a Department of Urban Affairs. [See "Washington Reaches for Your City Hall," NATION'S BUSINESS, November.]

#### **Unions disagree**

Major union disagreement over legislation comes chiefly from the United Mine Workers. John L.

Lewis's union opposes three measures backed by the AFL-CIO and other labor organizations:

1. More liberal reciprocal trade program.

"We are for either a quota or tariff on all foreign goods that put people out of work," Mr. Howe says. "We are opposing the President and protecting American industries which need it."

Underlying the miners' position is the impact of imported residual fuel oil on the coal industry and coal mining jobs.

The AFL-CIO is backing the President's program for more liberal trade, but is insisting that the government provide "effective assistance" to workers, companies and communities which are, or may be, adversely affected by import competition.

"If they are hurt by a government policy, they should be helped by the government," contends the AFL-CIO's chief lobbyist, Andrew J. Biemiller, former Democratic member of the House of Representatives from Milwaukee.

2. National emergency strike powers.

The United Mine Workers, who probably have been hit by more court strike injunctions than any other union, are against giving the President more powers to deal with national emergency disputes.

3. Welfare fund regulation.

The miners' union opposes the Administration's request, backed by the AFL-CIO, to put more teeth in the 1958 Welfare and Pension Fund Disclosure Act. A bill to regulate the funds and provide stiffer enforcement powers was cleared by the Senate Labor Committee last session. A companion bill, approved by the House Labor Committee, was brought up on the House floor under suspension of the rules, but failed to get the necessary two-thirds vote. However, a majority of the House did vote for it, and passage is likely if the bill gets through the Rules Committee.

"We oppose legislation to give the Secretary of Labor more power to investigate and open the books of welfare funds," says Mr. Howe.

He claims it is already costing the UMW too much to make reports on its Welfare and Retirement Fund, which takes in and spends more than \$100 million a year.

"We're spending money that ought to go to the welfare of the miners instead of into making reports," Mr. Howe says. "The pending bill would give the Secretary of

*(continued on page 68)*



# KEY UNION LOBBYISTS



Andrew J. Biemiller,  
former member of House,  
directs lobbying  
activities of AFL-CIO



Miners' Robert E. Howe  
opposes some union and  
Administration aims,  
gives them little chance



Frank N. Hoffmann of  
Steelworkers isn't  
optimistic for new law  
to settle a steel strike



C. T. Anderson opposes  
railroad mergers, pushes  
laws sought by waiters  
and construction unions



Robert Oliver says  
union objectives will  
have tough going.  
He's free-lance lobbyist



Evelyn Dubrow of Garment  
Workers commutes from  
New York, sees hope for  
welfare-type laws



Teamsters' Sidney Zagri  
spends most time on  
bills which are aimed at  
or would help his union



Jacob Clayman hopes  
new grass-roots pressure  
will swing members of  
Congress who waver

PHOTOS: JOHN NEUBAUER





U.P.I.

# HOW WHITE HOUSE MAKES LAWS

Business has three choices of action  
if it wants to fight executive orders

IF YOUR COMPANY becomes entangled in some situation governed by a presidential executive order, it's well to remember that today's President makes laws, despite the Constitution's grant of all legislative powers to Congress.

Executive orders have been used to change property rights, define crimes, establish new agencies and new programs. They have the force of law.

President Kennedy, for example, issued his first executive order with considerable fanfare the day after his inauguration. It directed Agriculture Secretary Orville L. Freeman to expand government purchases of food for the needy. A telephone call would have sufficed—the Secretary already had the authority to do this. But the executive order helped create an image of a vigorous new President buckling down to work.

If your company or you yourself want to fight an executive order, you have three choices. You can try to persuade the President to change his mind—probably the least likely alternative. You can appeal to the courts to keep the order from being put into effect. This has been successful on a few occasions. Finally, you can try to get Congress to pass a law overruling the President.

Executive orders affect a broad range of businesses and individuals. President Kennedy now has under consideration, for example, an order that would ban racial discrimination in housing financed by money insured or guaranteed by federal programs or laws.

During his first 11 months in the White House Mr. Kennedy issued 67 executive orders compared with 153 for President Eisenhower and 513 for President Franklin D. Roosevelt in their first 11 months.



One of the most important Kennedy orders imposed new duties on business concerns with government contracts.

For almost two decades standard government contracts have included a clause barring the contractor from racial or religious discrimination in hiring or employment practices. The clause, rewritten from time to time, was required by executive orders by Presidents Roosevelt, Truman and Eisenhower.

But President Kennedy's version put more teeth into the clause. As a result, firms with government contracts soon will have to fill out reports designed to show whether they are complying with it. The President also decreed by his executive order that employers who refuse to comply may be subjected to contract cancellation, denial of future contracts, or unfavorable publicity, a penalty which might be costly to some companies producing consumer goods.

Two other important Kennedy orders affect business.

He has directed government procurement agencies to report to Attorney General Robert Kennedy whenever they receive two or more identical bids. The purpose was to help the Justice Department determine when antitrust laws are being violated.

President Kennedy also has established by executive order a special program for resolving labor disputes at missile and space sites. The order appeared to be designed to head off legislation stemming from disclosures of labor union practices by a Senate investigating subcommittee headed by Sen. John L. McClellan, Arkansas Democrat.

The executive order set up boards composed of representatives of business, labor and the public. Although neither party to a dispute is legally bound to accept the board's recommendations, the government-sponsored boards in practice have wielded vast powers, going so far as to determine in some instances whether a labor-management contract provision is reasonable or unreasonable.

The history of executive orders is the story of a gradual breakdown of the constitutional separation of powers among the Executive, Congress and the Judiciary.

Responding to the stress of military or economic emergencies and, more recently, to political pressures, Presidents have increasingly asserted the right to act without authorization from Congress.

The Constitution says that Congress shall "make all laws which shall be necessary and proper."

"The executive power," it says, "shall be vested in a President . . . (who) shall be Commander in Chief of the Army and Navy. . . . He shall take care that the laws be faithfully executed. . . ."



*Steel seizure  
backfired*

The high tribunal has gone a long way toward embracing President Theodore Roosevelt's theory that a President has a duty to do anything that he thinks the nation's needs demand unless specifically prohibited by law or the Constitution. In wartime, the courts have even permitted Presidents to violate law.

Abraham Lincoln made the big breakthrough for presidential war powers. It has been said that commander in chief was the forgotten clause of the Constitution until Mr. Lincoln pointed to it in seizing almost dictatorial power during the Civil War.

Without congressional authorization he ordered a blockade of southern ports, increased the army above authorized levels, seized rail and telegraph lines between Washington and Baltimore, suspended the *habeas corpus* privilege, spent \$2 million from the Treasury which had not been appropriated and, for the first time, established military conscription.

The best remembered Lincoln-made law—abolition of slavery—was accomplished through a presidential proclamation rather than an executive order. Generally, proclamations do not have the force of law, as do executive orders. President Roosevelt's proclamation of early Thanksgiving dates during the depression, for example, was ignored by many states. Proclamations usually are binding only when based on specific legislation, such as that covering tariffs and import quotas.

In signing his Emancipation Proclamation on Jan. 1, 1863, President Lincoln contended that the Constitution barred Congress from tampering with slavery, but that he could act "by virtue of the power in me vested as commander in chief of the Army and Navy . . . and as a fit and necessary war measure . . . warranted by the Constitution upon military necessity."

Mr. Lincoln doubted that his proclamation would stand up in postwar courts, but the question was settled by the Thirteenth Amendment which abolished slavery.

Almost all of President Lincoln's other wartime decrees were underwritten by Congress or by the courts. In a notable exception, the Supreme Court—once the war (continued on page 73)



*Minimum wage  
overruled*



*Upheld in part  
by the courts*



**FORCES  
SHAPING  
BUSINESS  
FUTURE:**

# GOVERNMENT INTERFERENCE

What's needed to speed healthy economic growth; the role of taxes, profits and research also are explained by **Charles H. Sommer**, president, Monsanto Chemical Company, in this exclusive Nation's Business interview

HARRIS—BLACK STAR





"PERHAPS things will get better and you'll find a better job."

That's what close but gloomy friends told Charles H. Sommer, a chemistry graduate of the University of Arizona, when he joined Monsanto Chemical Company in St. Louis 28 years ago.

Things did get better. Company sales then were \$15 million a year. Now they're more than \$900 million. The firm has assets valued at \$1.1 billion.

Charles Sommer got a better job, too.

He's president of the company now.

The future looks bright to him—even very bright. Monsanto's sales have climbed more than 260 per cent since 1950, approximately two and a half times faster than the average for the national economy.

As one of America's leading industrial executives, Mr. Sommer thinks the business future, however, is blotted with some problems that could choke off our maximum growth potential. In this exclusive interview with NATION'S BUSINESS he tells why.

He explains the need for business freedom from government interference, what's needed to speed national economic growth, why he thinks faster growth is possible, the role of taxes, profits and research—and the damaging impact of a congressional proposal that would change the patent system and perhaps destroy the incentive for American ingenuity and invention.

**Mr. Sommer, what is the single most important need for assuring future business success?**

Profits.

Business today is starving for profit improvement.

But we can have profits if we have the freedom we need to develop capabilities to meet new opportunities.

**Freedom from what?**

Well, let's say we need less government interference. Maybe harassment is a better term.

If the future is to be brilliant—as I'm sure it can be—the government should recognize that industry must be permitted to retain sufficient profits and depreciation allowances to continue a high expenditure for research and efficient modern plants.

**What else is needed to speed healthy economic growth?**

Let's divide the answer into three parts.

First, from government, in addition to less harass-

ment, we need a sound fiscal policy. We need continuing freedom from inflation. And, of course, we need to avoid nuclear war.

We badly need a new national grasp of the pitfalls of government deficit spending—which includes a cumbersome and, in many cases, illogical tax pattern.

Second, from individuals we need a resurgence of initiative, more self-identification with the success—or failure—of free enterprise.

The citizen has to become more vocal if he really believes in the way of life that brought us to this peak.

Third, from businessmen, we need more efficiency all along the line. We must have better selection of research projects, greatly improved distribution systems, further gains in manufacturing productivity.

Greater efficiency is being forced on us by domestic and foreign competition. We are going through bigger and faster changes than we think.

We will face the future necessity of being fully competitive with the European Economic Community.

**Are you worried about the soundness of the dollar?**

Governments abroad—and businessmen as well—are getting worried about whether our dollar is truly sound.

Continuation of inflationary fiscal policies can lead only to further erosion of the dollar's value. This is not the road to healthy national growth.

**Will business grow faster in coming years?**

If you mean faster than the growth rate we experienced in the years when we were suffering from the low birth rate of the thirties, I would say yes.

But if you mean the growth rate of the postwar years, when we experienced an unprecedented combination of growth circumstances, I would say yes only if we do a better job of management. We must learn to sell again, learn what competition means.

**How much growth should we have?**

Politicians, economists, and even some business executives seem to look at growth only in quantitative terms.

Some people seem fully convinced that rapid growth is intrinsically good.

Personally I'd like to see more emphasis on healthy growth.

Growth through inflation is sick growth. Still, we can grow faster.

**Why do you think so?**

The ingredients for progress are already at hand—or will be during the next (*continued on page 80*)

**More self-identification  
with free enterprise is  
needed, Mr. Sommer says**



# HOW TO REACH YOUR

Where to sell has become as important a question as what to sell. Here's why

MAKERS OF CONSUMER GOODS face two problems today.

A new question, "Where will he buy it?" has joined the familiar "What does he want?"

A leading glass manufacturer has 10 types of outlets: conventional stores, small specialty stores, discount houses, variety stores, stamp-redemption outlets, mail order houses, house-to-house sales, vending machines, suburban stores, and telephone sales generated by TV announcements.

Most other manufacturers may not have quite as many—but all are facing merchandising problems created by the continuing distribution revolution.

Such things have happened before. Innovations such as the department stores, mail order selling, the chain store and the supermarket each changed customer habits and brought merchandising evolution.

But today's situation is more complex because several markets must be defined and served. For most manufacturers at least four are possibilities: conventional stores, discount houses, vending machines, door-to-door selling. Manufacturers are finding that they must have separate merchandising programs for each, shaped especially for the outlet from the time a bright idea hits the product planner until the moment the cash register rings.

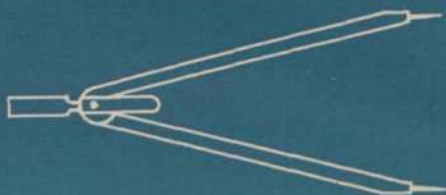
Two selling methods whose importance is growing, for example, are vending machines and direct sales.

Vending machines are becoming more and more of a factor in marketing. The vending industry estimates that about \$2.8 billion worth of goods came out of some four million vending machines throughout the country last year.

Alert manufacturers are taking a close look at the development of new machines that lend themselves to new products and more selectivity. The National Automatic Merchandising Association has predicted that automation of retailing will eventually bring vending into almost every area of goods and services.

A merchandising survey conducted through Columbia University brought out the fact that 30 or 40 department stores were experimenting with vending machines to sell certain staples such as gloves and handkerchiefs. The machine sells the item, makes change, does the accounting and eliminates the need for the clerk altogether. Similar machines are being tried by supermarkets to

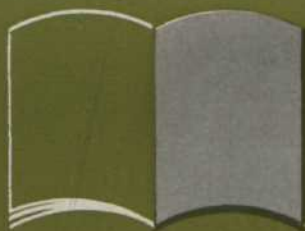
TYPE OF OUTLET CHOSEN



PRODUCT DESIGN



TYPE OF PACKAGE



ADVERTISING



SELLING FORCE



# BEST MARKETS

WILL DETERMINE:



**BRAND**



**PRICING**



**DISPLAY TECHNIQUE**



**EDUCATIONAL WORK**

sell soft goods. In direct selling, manufacturers in a wide variety of lines are studying the operations of Electrolux, Avon and Fuller and large numbers are following their example.

There is also a growth of selling organizations which put their services at the disposal of the manufacturer for sales in the home.

Many novel plans are springing up.

One home sales service offers a shop-at-home visual merchandising technique which brings a projector into the prospect's home to show him what he can buy. The service throws in a few comedy and human interest slides to entertain and soften up the customer.

Still minor markets today, both vending and direct sales are gaining in popularity.

## **Meaningless term?**

Meanwhile, the major distribution outlets are continuing to change character. More and more variety stores, national food chains and department store combinations are going into discounting.

Discount store sales have been estimated at between \$4 billion and \$5 billion compared with \$14 billion of department store sales in 1961. Major groups are forming a national association to improve the image and establish standards in the field.

New comforts and services are making the discounter resemble the conventional merchant to such an extent that, according to Theodore Levitt, Harvard University faculty member and marketing consultant for Lippincott & Margulies, "The term discount house has actually become meaningless. Success in outlets still bearing the name is due to a lot of things besides discounting. These stores are actually multibrand, self-service, general merchandise stores. All in all, they have established a new type of merchandising which is long overdue for a new name."

Whatever its name, this kind of establishment continues to be characterized by fast turnover, low prices, low overhead, long hours, and the greatest possible self-service.

The conventional store, in contrast, excels in areas where personal sales count most. For example, in products in which: 1, taste is heavily involved; 2, technical data is called for; 3, use education is needed; 4, style is emphasized; 5, authority is needed to sort out selection; 6, proper fit is required; 7, purchases are major investments; 8, quality is hidden and must be explained; 9, credit must be arranged; 10, "fan customers," such as camera buffs, want fan talk.

Today's sophisticated customer is willing to patronize any or all of these outlets on occasion but owes allegiance to none. His wants are boundless and he satisfies them wherever goods are offered in the way he wants to

(continued on page 70)



## DOUGLAS BILL:

# Truth or deception?

Proposal for regulation of consumer credit charges could hurt buyers and business, warns credit authority **William J. Cheyney** in this exclusive interview with editors of *Nation's Business*



MAROON

THE "Truth in Lending" bill now before Congress would foster sales practices which would hurt the consumers it purports to help.

This charge is made by William J. Cheyney, executive vice president of the National Foundation for Consumer Credit, Inc.

In an interview with editors of *NATION'S BUSINESS*, Mr. Cheyney says the credit regulation measure proposed by Senator Paul H. Douglas of Illinois should more accurately be described as the "Deception in Lending" bill.

Since it would be impossible for many businessmen to comply with the bill's requirement that all finance charges be stated as an annual interest rate on the outstanding balance, he points out that the cost of credit would have to be included in the price, rather than stated separately. As a result, the consumer would actually get less information about finance costs than he does now.

Highly regarded for his knowledge of consumer credit, Mr. Chey-

ney is chief spokesman for an organization comprised of manufacturers, wholesalers, retailers, banks, consumer and sales finance companies and other lending institutions.

Granting that some few businesses misuse credit to the detriment of the public, Mr. Cheyney says these abuses cannot be corrected by legislation but only by more consumer education. His organization is working at this job through such programs as a new nationwide free financial counseling service for families.

In addition to the problems of credit use, Mr. Cheyney also discusses and forecasts consumer spending trends, the growing problem of personal bankruptcies, and other subjects.

**Mr. Cheyney, do you expect consumer credit to be a major target for federal regulation this year?**

It could very well be, although we think this is a local problem. We feel that when a store in Pennsylv-

vania purchases goods, and sells them to a citizen at so much a month, that is strictly intrastate commerce and out of the purview of the federal government.

The claim is made that Congress can deal with consumer credit under its constitutional power to create and regulate currency. The fact that I owe you ten dollars might have some long-distance effect on the currency situation, but it is a pretty far-fetched effect.

The real point involved is just how far the federal government moves into the jurisdiction of the states. You either have state governments with some authority or you have a great big federal government.

There is no reason why the states should not set up honest and worthwhile guideposts for the proper development of consumer credit. Most states have such regulations now.

**What other dangers do you see in the proposed federal legislation?**

Our objections are two-fold.

One is mechanical. We don't believe business can comply with the terms of the bill. We don't think it can be done mathematically.

There has been talk that a device similar to a slide rule could be used to compute credit charges. But it has been demonstrated right before a Senate committee that the device is as much as 20 or 25 per cent off in individual calculations.



What businessman would dare to go into court and say, "I was told to state my credit service charge in terms of a simple annual rate and I must admit I was 20 per cent off"? It is an impossible situation.

There are four or five basic methods of calculating interest rates, all approved by mathematicians. We see no reason why the federal government should pick one of them and say, "This is the way interest rates must be figured."

#### What is your other objection?

The fact that the bill would jolt consumer buying by damaging public confidence in perfectly honest businessmen.

Every school child has been told interest is a matter of six per cent.

If a store announced that it charged 18 per cent per year—which is what 1.5 per cent per month on a revolving charge account would come to—the public would regard this as exorbitant.

The man with the lowest credit service charge would look like the most honest merchant in town. That same man might simply be adding the rest of the cost of credit to the price of his goods. His store might well offer the least advantageous total value for the dollar spent.

#### Would such a bill force businessmen to change their price structure?

Yes. It would result in misleading the public. It has been said in connection with this bill that only the dishonest businessman would let his credit service charge sink back into price.

But only in the past quarter century have businessmen added credit service charges when they offer credit service. Before that, we had a flexible pricing system.

A cash buyer and a credit buyer paid the same price or the cash buyer got a discount of five, or 10 or 20 per cent, depending on

how well he could argue. The businessman didn't know his credit costs.

Now we know more scientifically what it costs to operate a credit business and businessmen have learned to add a credit service charge to reflect the cost of operating a credit service in their particular business.

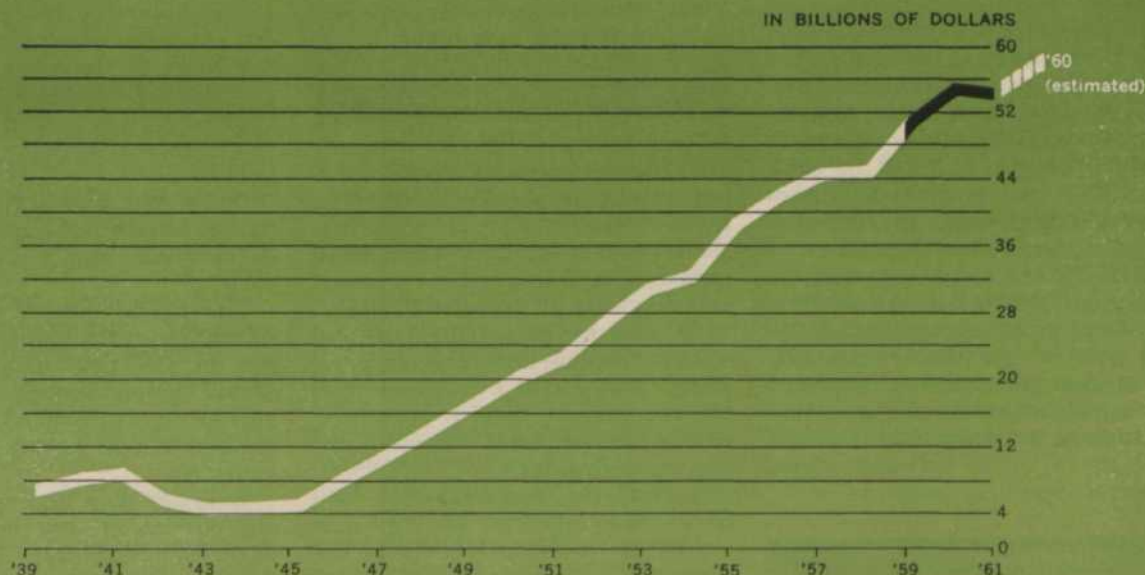
The separate charge for credit is in itself an effective warning that it does cost more to buy on credit, an effective "disclosure" in the public interest.

But businessmen are not dumb. They will present their credit service in a way the public will accept.

Therefore, the obvious thing is for business to say, "Well, we are only going to make a six per cent charge." The rest of the cost of credit is going to be in the price of the goods. The businessman is not selling credit. He is selling goods and he wants to show a profit on

(continued on page 42)

## Where credit buying is headed



Soaring growth of credit is shown by chart. It maps upward path of credit outstanding since 1939, including both installment and non-installment transactions. Black block indicates first inclusion of Hawaii and Alaska in Federal Reserve Board tabulations



# A LOOK AHEAD by the staff of the

## Dairy products present problem

(Agriculture)

## Banner year due for housing

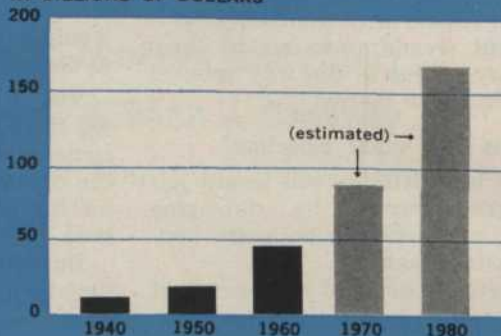
(Construction)

## Awards for export expansion

(Foreign Trade)

### Investment in investor-owned electric plant

IN BILLIONS OF DOLLARS



Source: Edison Electric Institute

### AGRICULTURE

One of the issues Congress faces is what to do about the mounting production and shrinking consumption of dairy products. This problem concerns all consumers as well as the dairy industry.

Milk production jumped two billion pounds in 1961 to an all-time high of 125 billion pounds. The U. S. Department of Agriculture predicts a similar increase for 1962.

At the same time consumption of milk is declining. It dropped two to three billion pounds last year from the 1960 level. This is the first interruption in the upward trend in consumption which began in 1953. Accordingly, government purchases of surpluses doubled in 1961 and will increase further this year.

One of the principal causes of the accelerated production-consumption imbalance is the increase in the support price of manufacturing milk.

The Administration is expected to request authority for a supply adjustment program which would establish a quota for each dairy producer.

### CONSTRUCTION

Home building is headed for a banner year. Estimates of new housing starts for 1962, which have ranged from 1.25 million to 1.5 million, are now firming around the 1.4 million mark—which would make 1962 the second-best year ever, and put it well ahead of 1961.

Multifamily residential construc-

tion is leading this rise. This market sector started its advance in 1961. Reports of rising vacancy rates among rental units must be discounted somewhat, since evidence indicates that the most pronounced increases in vacancy rates are in older structures.

Single-family housing starts in 1962 will be more than one million.

As the year moves on, multifamily starts will move away from peak levels, while single-family units will continue toward new highs.

### CREDIT & FINANCE

Most segments of our economy are anticipating increases of varying strengths during 1962. The three components of our gross national product—business investment, consumer spending and government spending—are all expected to rise.

Demand for money for fixed and working capital, as well as for mortgages, is expected to increase during the current year. If this forecast is carried out, it will mean rising interest rates.

One of the factors which will have some influence on just how much this increase will be is the international monetary flow, which is related also to our unfavorable balance of payments position.

The recent decision of the Federal Reserve system to raise the maximum interest rates which commercial banks can pay on time deposits has been viewed as a step toward tighter money. Whether the increase in rates will be large or

small will depend on a balance of market forces.

### DISTRIBUTION

Future sales and profit opportunities are brightest for businesses which quickly spot shifts in people's tastes and spending habits.

Equally important, though, is planning on the basis of apparent long-run trends.

Many durable goods businesses, for example, deplore their shrinking share of the consumer market, in contrast to the growing share claimed by the intangibles—education, personal services, recreation, and the like.

But a look at marriage forecast figures should impress any marketer of autos, appliances and home furniture.

The Bridal Council predicts the formation of 25 million new families in the next 15 years. This should pump annual retail sales volume up to around \$375 billion by the end of that period, the Council estimates.

Marriage data also show a growing portion of new brides in the under-20 age bracket. Trade sources point to this as a specialized consumer group. Hence, alert companies already have seen the need for specialized selling to newlyweds.

### FOREIGN TRADE

Announcement of the first winners of the government's new "E" awards is expected this month.



# Chamber of Commerce of the United States

About 400 companies and organizations are being considered for the awards, to be issued under the Export Expansion Program. The purpose is to help alleviate the balance of payments deficit.

Secretary of Commerce Luther H. Hodges has called on American industry to "wage friendly competition" for the new awards.

"E" flag awards will be conferred this year on companies which demonstrate a substantial increase in export sales on a sustained basis; successfully introduce a new product into export trade; develop a market abroad for an existing product not previously exported; effect a breakthrough in a foreign market where competitive conditions are extremely difficult; open a new trade area previously closed to American competition.

The "E" Certificates of Service will be awarded to nonexporting individuals and organizations for novel and successful solutions to foreign trade problems, and contributions to the expansion of exports through superior marketing, promotion, and other efforts.

Nominations may be made to the U. S. Department of Commerce, Washington 25, D. C.

## GOVERNMENT SPENDING

The usual election-year battle over government pay rates will be one of the major spending issues in this congressional session.

The Administration supports measures which would make government salaries generally comparable with those in private industries. This would mean substantial increases in the upper middle and top-grade brackets.

Union leaders representing postal employees, however, are urging an average 19 per cent increase for rank and file postal employees. One postal union leader has raised a \$500,000 fund to push the union's demands through Congress.

The Administration proposal for postal workers would provide an average increase of about 7.5 per cent for the lower grades, spread over three years.

With the postal deficit now running at more than \$800 million a year, a substantial postal employee

pay raise would at least offset the postage rate increase requested in the President's budget.

## LABOR

A defect in the Landrum-Griffin Act's prohibitions against secondary boycotts is permitting union officials to use coercive tactics against neutral firms.

The publicity proviso of the secondary boycott amendment of the 1959 labor reform law has opened the way for handbidding, blacklisting, and other coercive tactics to pressure neutral employers to stop doing business with a company a union may be trying to organize or force into a controversy.

The Labor Board also has pending a significant interpretation of the anti-hot cargo secondary boycott section of the Landrum-Griffin law. It is now the law that a union commits an unfair labor practice if it seeks a hot cargo secondary boycott contract clause, but the Teamsters seek a provision that an employer will not discipline or discharge employees who refuse to handle non-union products. Legality of this clause awaits NLRB decision.

## NATURAL RESOURCES

The nation's investor-owned electric utilities are planning capital expansion, especially in transmission, during 1962.

In the last half of 1961, industrial kilowatt-hour sales sent total sales to a new high—about five per cent ahead of 1961.

The investor-owned utilities' believe that the industry's long-term tradition of doubling each decade will continue as far as the forecasting eye can see. This eye now ranges out 20 years and even further.

At the same time, utilities are aware that the health and vigor to meet these demands depend on availability of expansion capital, reasonable regulatory climate, freedom from subsidized public-power competition, and adequate supplies of reasonably priced fuel.

In addition, the industry will further operating efficiencies by pooling arrangements, interconnections, mine-mouth generating facilities, and coal pipe lines.

## TAXATION

This year ushers in a new era in the processing of federal tax returns by automatic data processing.

Last year the Internal Revenue Service dedicated its National Computer Center in Martinsburg, W. Va. Tapes bearing tax information will be sent to Martinsburg from the nine regional computer centers. At present, the operation is limited to a pilot project operating in the Atlanta region.

Each year additional regions and types of returns will be phased into the operation until 1965, when scheduling calls for all returns to be processed by the new system. Commissioner Mortimer Caplin says the new system will not eliminate the personal touch as far as the individual taxpayer's relationship with the district offices is concerned. Those who will feel the effect will be those who err in their claim for refunds, neglect to file a complete report of income, or in some other manner alert the electronic brains to oversights, misstatements, and omissions.

## TRANSPORTATION

This year may answer the question of how the Kennedy Administration will deal with the chronic problems facing the transportation industry.

One proposal suggested by the Chamber of Commerce of the United States would give the Under Secretary of Commerce for Transportation considerably more authority and responsibilities.

It is generally agreed that federal agencies regulating, promoting and using the nation's common carrier system do not observe a unified policy.

The Chamber proposed to President Kennedy that responsibility and authority for a unified transportation policy be placed in the office of the Under Secretary of Commerce for Transportation. This office now coordinates all transportation activities in the Department of Commerce.

Given the proper mandate it also could develop a coordinated transportation policy and insure that the policy is followed.



## DECEPTION

*continued from page 39*

his invested capital at the end of the year.

### **Are there real credit abuses in American business?**

Of course. But you can't legislate them out of existence.

This bill, if it passes, won't touch a dishonest man who wants to hook a young immigrant who later commits suicide because he got over his head in debt. He will be hooked some other way.

What would this bill have done for a boy who signed a note for \$40 or something like that for an article that should have cost 25 cents? Regardless of the credit service charge, he still paid \$40 for a 25 cent article. You can't legislate against that.

What you can do, and the Foundation has been working hard on this, is educate the public as fast as possible on where to look for honest deals and how to appraise values.

Frankly, it doesn't matter to me much whether the credit service charge is a little higher and the price is low or the price is high and the credit service charge is low so long as I like the store, like the way I am handled, like the speed

of delivery, like the product, and the whole package comes to a price I consider reasonable.

### **Are there practical guidelines which you recommend in place of federal action to regulate consumer credit?**

We are telling the young people and women's clubs and everyone we get a chance to talk to, "Don't ever buy anything on credit if you don't know either how much it is going to cost you or how to calculate it or how it fits into your budget—all three of those things."

You should not buy on credit without knowing how the charge will be figured. Is it going to be at a six per cent rate or is it going to be \$4 or is it going to be one and one half per cent a month?

By the way, the last thing we would advise the customer to do is ask for a yearly rate because that would only apply if you were buying something on a one or two-year account.

Suppose you buy something on a 90-day account or on a revolving credit account under which you pay part this month and an undetermined part next month and pay it off in four months. It is far more simple to say, "If there is a \$100 balance, \$1.50 will be added to the bill at the end of the first month if you don't pay it." You can calculate that exactly. It is one and

one half per cent of the money that is due. You just multiply one and one half per cent times the balance, and figure out if you can afford it.

### **Could businessmen explain credit terms to the buyer better?**

This could be done better. A store using the revolving credit system could put flyers in billing envelopes explaining the way their credit service charge operates. You've given me an idea. Maybe we could persuade more people to do that.

### **From where you sit, what is the mood of the American consumer right now?**

For some time the consumer has been buying pretty freely.

The consumer has been blamed for the ups and downs of the economy much more than has been his due.

The recession of 1957-1958 was incorrectly laid at the door of consumers. That recession was caused by other factors.

Consumers' disposable income has risen in every quarter of every year since 1956. Consumer spending rose every quarter of every year, with one exception, when it dropped only slightly.

However, a vast change in the direction of spending has taken place which has had its effect on certain industries. Consumers' expenditures for services have been constantly rising for many years.

Frankly, I think wage contracts which permitted wage spirals in the durable goods industries priced some of their products out of the market insofar as consumer desire is concerned. In soft goods, the trend is upward.

I think the important point to deduce from this is that the consumers are more or less masters of their own ships. We can try to get them to buy our products but they buy them or not as they see fit.

### **Do you expect the present spending pattern to continue?**

It may continue indefinitely if nothing untoward arises.

### **What do you see as the chief challenge to business?**

I think the greatest problem facing our economy is the fact that big union labor negotiates with big employer groups—and there is off to one side the tremendous pressure of government to avert strikes. So for many years it has been easier to settle at pretty close to the union demands than to fight to

*(continued on page 46)*

## WATCH FOR...

### **Plan now for long-range prosperity**

Authorities agree that healthy economic growth is in prospect for years to come, regardless of any possible temporary setbacks. This article tells how to gear your decisions to this outlook.

### **How to tackle your new job**

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## DECEPTION

*continued*

hold prices down. Wage pressure in the past few years has been so great that the employers have said, "We will take one more chance this year," and year after year they took "one more chance."

The success of our economy is based, first, on the underlying group who will buy anyway, but the real prosperity comes from that extra group that can be induced to buy if the price is right and thus create the profit.

This group may refuse to pick up the check when we go too far in negotiated wage agreements.

**Could the consumer's refusal to buy also be a reaction to the quality of the goods?**

There is no question of that, but I believe the consumer sees a decrease in quality as the same as an increase in price.

I believe that, over-all, today's product performance is far better than ever before.

**Isn't it essential for management to make a stand against the wage pressure you mentioned?**

If I were a college professor sitting back in an ivy tower, I would say yes, it is up to them to do whatever is necessary for the survival of their industries, and I think they probably will ultimately. But I think it is terribly unfair to say that the employer bears the sole responsibility.

I think it is government's responsibility not to encourage an impossible economic situation and I think it is labor's responsibility to think about holding the wage lines rather than constantly taking a larger share.

The trouble is that when labor decides to make certain demands, it speaks from a central headquarters which can have a lot to say about what every one of its branches may do. Industries are shot at one at a time and, obviously, the attack will be made on the one that can stand it the least. The wage rate is lifted in that industry, and other industries have to meet it or lose employees.

**What do you foresee for consumer spending through 1962?**

Since we are coming out of a lull I think we can look for a five per cent increase in 1962, over-all, unless something trips up the economy. However, I do not believe

that indicates a continuing rate of five per cent. It might be above three per cent for five years.

But when you look back at the predictions as to what the consumer intends to buy, in almost every instance a year later you have to explain why the consumer didn't do what he said he was going to do.

Look at it this way. The consumer says he is going to buy a piano. That could lull the piano manufacturer to sleep. He feels he doesn't need to advertise. Yet it takes only one conversation for the husband to say, "We don't need a piano," and the whole thing is off. The wife said she wanted a piano when the pollster called at the door.

Survey results are of doubtful value unless the family has made a real study of what it wants. Big purchases are not generally impulse purchases. Yet the questioner gets an impulse answer.

**Do you expect consumers to use credit more in the future?**

If any more, very slightly more. Generally speaking, I see nothing to change the present ratio of cash to credit buying.

We have already had our introduction of new types of credit buying. We have had the introduction of the revolving account at retail stores, the credit-card system, the bank ready-check plan and the credit-card banking system. These will continue to grow.

By the way, I think some of the experimental excesses in these new systems were pretty well corrected in the past year or two.

**How far would you expect consumer credit to rise in, say, the next 12 months?**

It is \$55 billion now. I would be surprised if it goes over \$60 billion in the next 18 months.

It will go up faster the first half of 1962, is my guess, than it will in the second half because we are making up time right now.

That may continue. I hope it does.

**Is there anything alarming in the amount of credit outstanding?**

First, I think the gross total of the outstanding credit is properly conservative. There is no question about the ability of the people to pay out.

This is a credit total which turns over inside of a year. Obviously, there are some three-year auto-

*(continued on page 50)*





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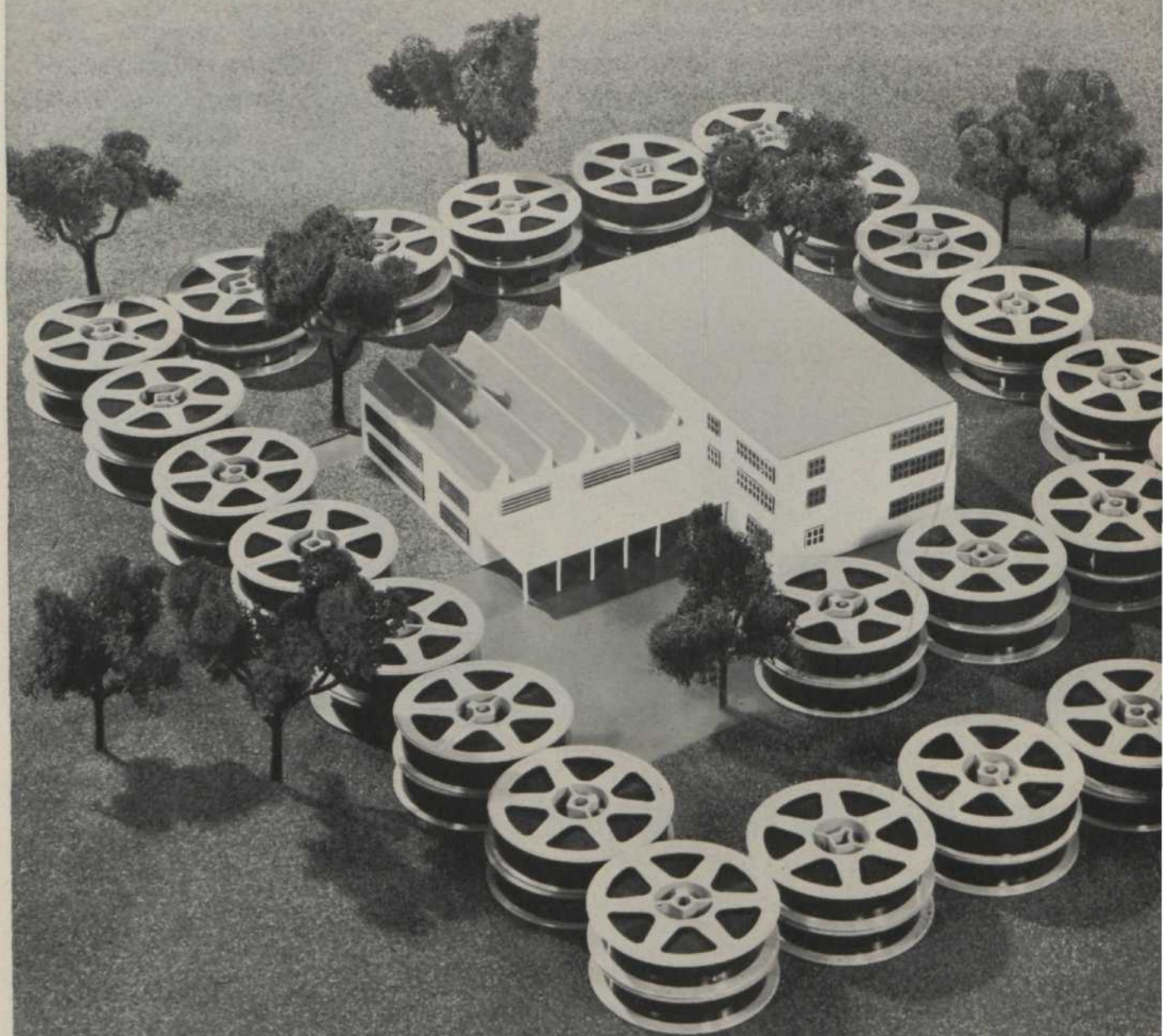
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## DECEPTION

*continued*

mobile accounts. There are also some six-month automobile accounts, and when you add the other industries the total amount turns over well within a year.

So it is not something that can be a dangerous drag into the future, as some people thought the purchases of automobiles in 1955 would be.

Second, I do see something alarming in the credit situation. It has to do with the fringe of credit which results in the personal bankruptcy picture. We had a growth of personal bankruptcies in 1961 to 131,402 against 97,750 in 1960.

That isn't good, but I hasten to say that neither the total nor the change can be laid to consumer credit solely or even perhaps in a major degree. Bankruptcy is caused by broken families, debt, illness, loss of jobs, and other emergencies.

### **How do you account for the increase in bankruptcies?**

Where there is a sick industry in a city which is pretty much dominated by that industry, there are people who find themselves overextended, creditwise. They are caught through no fault of their own nor of those who advanced them credit. That accounts for an increase in late 1960 and through the third quarter of 1961 in many communities.

The second point is a little more difficult to analyze. In certain communities it has been noticeable that people take bankruptcy more freely than they ever did before.

There are two or three developments that might have caused that. One may be the influence of the new emphasis on security, an attitude that you don't need to worry about maintaining your financial integrity because you can't go broke in your old age; the government will take care of you if you can't take care of yourself.

Finally, there has grown up a development which is in part perfectly honest and in part very dishonest. It is the growth of debt counseling services. There is a field for honest debt counseling. I certainly have no objection to an honest debt counselor charging an honest fee to get a family out of trouble.

In many instances, however, the thing has turned into a racket. Ohio last year outlawed debt coun-

seling for pay. One of the reasons was that counselors would take the man's fee, work with him for a few weeks and then tell him, "You ought to take bankruptcy."

When one family takes bankruptcy, all the neighbors read about it. It becomes almost a community slogan that if you are too deep in debt, step out.

### **Do you foresee a growth of these agencies where they are legal?**

The National Foundation for Consumer Credit is setting up a nationwide network of locally owned and locally operated family counseling services, which will provide—absolutely free—any advice that business can offer to a hard-hit family.

These local consulting concerns will be operated under the auspices of leading banks, leading retail concerns, leading sales finance and consumer finance companies—where there can be no taint of special interest. No concern involved in the service will take any part

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### **Union lobbyists plan big push this year for welfare legislation. Who they are, how they operate is told in article on page 29**

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in making a loan, to make a profit out of getting the family out of other debt. This will be carefully guarded.

This doesn't mean that the First National Bank may not make a loan even though the bank is contributing to the local service. But the loan will be made, not on the advice of the bank, but on the advice of a neutral governing committee.

Sometimes bankruptcy is the sole answer. However, in 50 per cent of the cases which have come before us—from pilot runs in Columbus, Ohio, and Phoenix—the family has simply committed itself to greater monthly payments than its income will provide after food, clothing and shelter have been taken care of. Payments can be rearranged so they eventually pay off everything.

### **Have you any estimate of how much money has been lost through these personal bankruptcies?**

I would say the average bankruptcy of the type we are talking about probably involves less than \$1,000.

But it is a nightmare to the individual who finds himself with \$700 to pay and every creditor pressing him.

### **Will this counseling service replace other efforts of the Foundation to help consumers use credit more intelligently?**

No. We have a public school credit education program, operating in more than 1,700 school systems. Public school authorities in the past few years have given us tremendous help in seeing that in the future people know how to use credit intelligently.

### **Do most buyers understand what is involved in credit buying?**

They have a pretty practical understanding.

You don't read about the millions of people who have satisfactorily used their credit, and in the future there will be much more sophisticated use than today. Look back 25 years. Nobody knew anything about credit then.

Credit started out with ignorant people on both sides of the counter trying to work out a deal.

They didn't think much about percentages. Old English law was based on the two-price system, the time-price differential, and it is still the underlying principle in most states.

The principle is that the credit service charge is not interest, but there are two prices. An item is \$12 in time payments and \$10 cash.

The seller says, "Do you want the price of this thing now or the price if you pay it a year hence?" Depending upon the answer, the price is quoted.

A self-appointed spokesman for the consumer might say that \$12 is too much to pay for what could be had for \$10 cash. Yet the consumer makes the deal and says, "Are you speaking for me? This amounts to two bucks and I am willing to pay it, so forget it."

I have nothing against the people who speak for the consumer except to say that I doubt if the consumers know that many of these people are speaking for them. **END**

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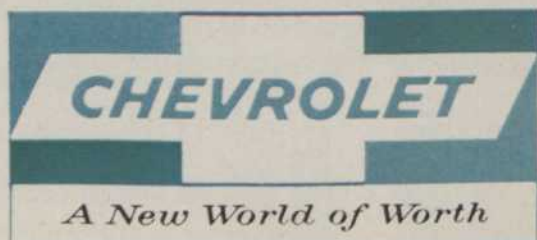
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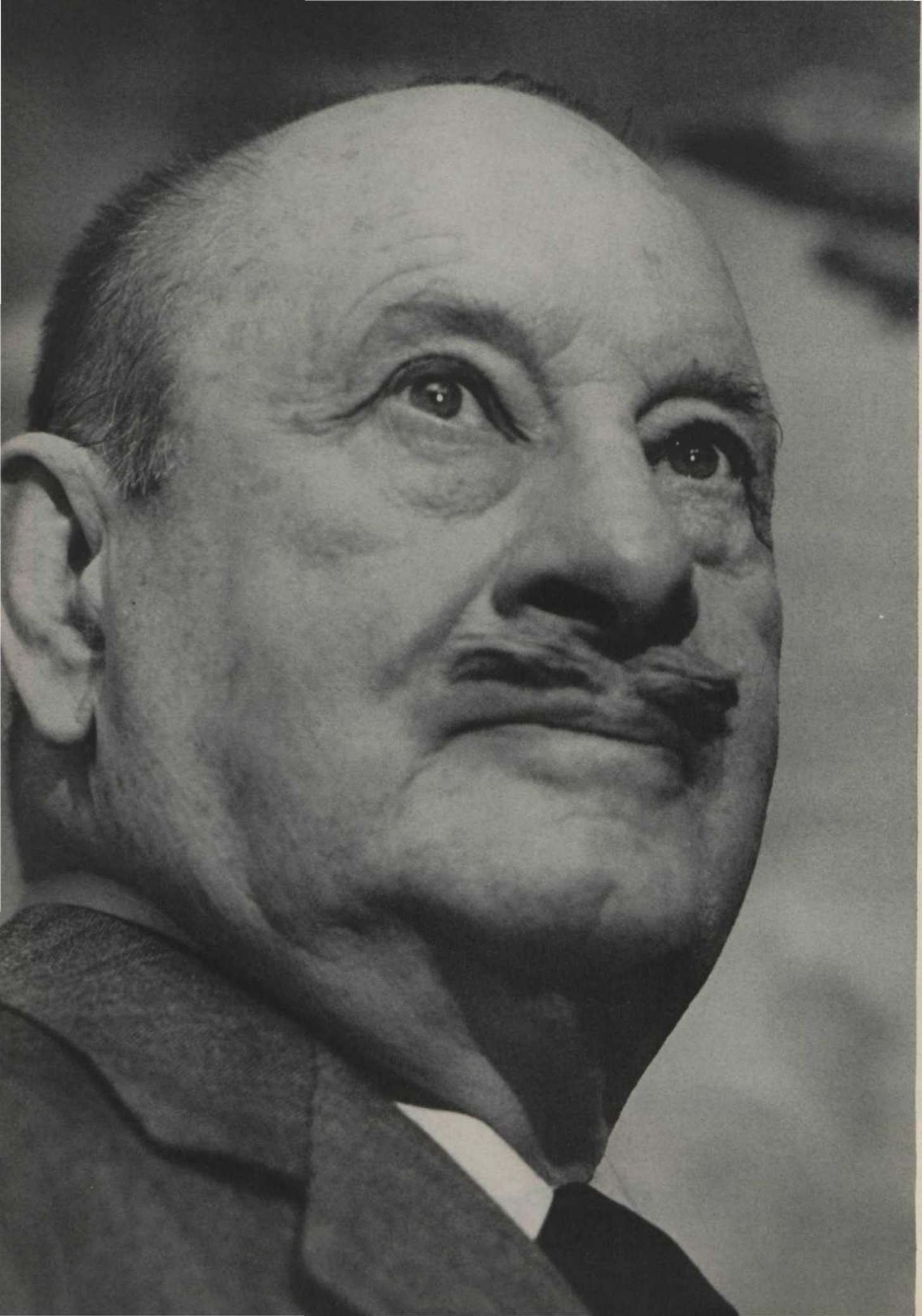
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## QUALITIES OF VICTORY • PART 4

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Our heritage has given us the strengths to defy tyranny, conquer a continent, build a nation. In these qualities we find the power to win the cold war—or the hot. This is the fourth in a series of articles by nationally prominent men describing these qualities

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# INGENUITY

BY LUIS DE FLOREZ

THE INGENIOUS MAN, the ingenious organization and the ingenious nation—other things being equal—have the best prospect for survival and success in the world today.

The founders of our country needed more than labor and courage to open virgin territory, create tools, process raw materials, harness natural resources and establish communications. They required ingenuity.

The author, Rear Adm. Luis de Florez USNR (Ret.), is an inventor, engineer and pilot.

He holds more than 50 patents on processes and equipment used widely in the petroleum industry.

Admiral de Florez also devised many aviation training and safety instruments for the Navy. For these contributions, he won the Collier Trophy, awarded each year for the greatest achievement in aeronautical safety and efficiency. He is one of the founders of the Office of Naval Research.

He is a director of several enterprises, including Douglas Aircraft Co., American Optical Co., and de Florez Co., and is on the National Inventors Council.

A flyer for 50 years, he has been checked out in more than 200 kinds of aircraft.

And this quality is a continuing requisite in the competitive world in which we live. We must never fail to foster and stimulate ingenuity in America if we are to meet the challenges ahead.

Ingenuity is not easy to define. But we recognize it or its lack on every hand. It appears to be an extraordinary combination of imagination and nonconformity which produces a way to attain an objective, usually despite inadequate means or adverse circumstances. Inventiveness, resourcefulness and the ability to improvise, to meet the unforeseen are characteristics of ingenuity.

How can we come by this great quality of ingenuity. Is it inherited? Can it be developed? The answer is that some people are born with more natural ingenuity than others. Most of us can develop this characteristic to a greater or lesser degree through necessity.

I have seen men under stress come up with ideas that would never have occurred to them under ordinary circumstances. Certainly necessity is a spur to ingenuity whether inherited or developed. It is not always possible to identify the ingredients of motivation, but certainly some motivation



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## **INGENUITY**

*continued*

is needed to make us scheme, plan and struggle to achieve our objective.

Being primarily an engineer I find difficulty in describing the mental workings that produce success through ingenuity for a lawyer, doctor, poet, politician, or business manager. But for what it may be worth, I can describe the working of my mind in arriving at a mechanical invention which I treasure, for, in its time, it saved many lives and much equipment.

For many years I specialized in the design, construction and operation of refinery equipment, particularly in cracking units in which petroleum was treated at temperatures on the order of 1,000 degrees Fahrenheit and under 600 to 800 pounds pressure per square inch.

I had just put into operation a battery of such stills for the Gulf Refining Company in Port Arthur, Texas, when a new oil field was discovered in West Texas. The oil from this field was far more corrosive than anything previously processed, and we began to have trouble with what became known as "spotty corrosion."

This type of corrosion took place irregularly inside the piping. Some parts were virtually unaffected while others pitted dangerously. The danger lay in the inability to find all such weakened spots by inspection. This raised the growing specter of a major failure and consequent explosion.

One night on one of many periodic visits to the plant, I had just spent several hours with the night shift and subsequently had gone to bed. Suddenly, I was awakened by a dull roar. Through my window I saw the dreaded glow of fire in the location of my battery. I stumbled into my clothes and rushed to the scene.

When I arrived, I was told that a vapor line had let go, doubtless due to spotty corrosion, and hot vapors under high pressure had poured out, blanketing the battery. The stillmen, my friends, without thought for themselves, had rushed to the fireboxes to shut off the burners to avoid ignition instead of running away for their lives. It was of no avail. The vapor fired in the hot furnaces and the men had been burned at their posts.

To this day I remember the shock and pain at losing the men I had worked with for months and

the surge of anger at our helplessness in solving this elusive corrosion problem that had caused the explosion.

### **How answer was found**

As I left the battery in the early light of dawn, I passed by a water pump which had been rigged to protect other equipment and saw against the brightened sky a thin spray of water squirting through a pinhole flaw in a cast iron fitting. At once the answer came to me and stopped me in my tracks.

If I drilled a minute pin hole at regular intervals in our piping partway through the wall of the pipes, any spot of corrosion which occurred nearby would eat through to such holes and a minor leak of vapors would occur and be noticed immediately.

The still could then be shut down while the piping retained an adequate factor of safety.

After that, all our piping was drilled. Other companies followed suit. This became known as "safety drilling" and spotty corrosion lost its terror. Nothing I've ever done has given me more satisfaction. My only regret was that I did not think of it sooner. On the other hand, I might never have thought of the solution to the problem had it not been for a great emotional shock and that flaw in the cast-iron fitting.

Ingenuity tends to be associated primarily with science and technology. Certainly we have seen an ever increasing and dramatic progression of scientific marvels to harness nature's energy and make for better living. Actually it is a major ingredient of success in every human activity.

We recognize ingenuity in business, in medicine, the law, politics, the arts, music, mathematics, in international relations, in wars and peacetime diplomacy.

Obviously, the opportunity to apply ingenuity is almost infinite, but if it is to be applied constructively, it must be directed by the requisite spiritual qualities which guide our normal lives and pursuits. The pioneers who developed our country required the type of resourcefulness that brought primitive man from his cave to what we now term civilization.

There is little wonder why we became a great nation in so short a time.

Ingenuity fostered by dire necessity and freedom of opportunity, backed by indomitable courage and will to survive, produced an amazing progression of accomplishments;



the product of original thinking to fit a new world.

We have today a priceless heritage bequeathed us by those who struggled ingeniously as well as laboriously to conquer the wilderness and create our way of life.

This heritage, great as it may be, is not indestructible. If we do not maintain it with the same quality of ingenuity, courage and spiritual guidance, it will be lost to us and to the world. The very prosperity with which we are blessed as a result of the application of constructive ingenuity seems to be changing our point of view and motivation. There appears to be a tendency to resort to ingenuity to avoid work rather than to accomplish more, to scheme to give less for a dollar rather than find ways to give more for it.

The struggle for the mirage of security rather than adventure, for working fewer hours rather than making greater progress, the tendency to stifle private enterprise, to penalize the successful as part of the goal for unearned equality are all manifestations of corrosive forces threatening our future survival.

We see a tendency in our scientific schools to cram students with facts, rather than to teach them how to solve problems by an ingenious application of knowledge.

This situation has been induced by the tremendous growth of technology and the attempt to telescope more and more knowledge in a four or five year technical course. This is no easy problem to solve. Regardless of the difficulty, somehow students must be given the realization that the objective of a scientific course is not merely a diploma, but rather to acquire the ability to apply knowledge gained in a useful and original manner.

With this in view, I began an experiment some years ago at my old school, M. I. T., setting up prizes for original design in the Mechanical Engineering Department.

The instructors found this so useful in stimulating ingenious solutions to problems that I set up a regular yearly cash award for "the most ingenious student" in the department. The winner was selected by a committee on awards drawn from the faculty which reviewed not only the student's scholastic record but his extracurricular activities as well.

This stimulated the interest of the students in using their newly acquired knowledge in ingenious combinations, and the interest of the faculty itself in uncovering talents in the students which were not

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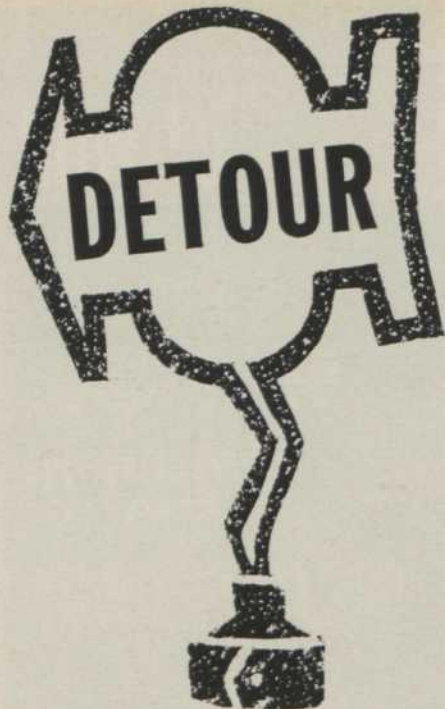
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## INGENUITY

*continued*

apparent from routine classification. In any event, it has demonstrated the necessity for ingenuity as well as knowledge to those who would face the world as engineers.

None of the students who received awards was at the top of his class scholastically. But these young men accomplished more, because they had absorbed knowledge and applied it effectively when motivated. It is my belief they will be among our most successful alumni.

### **Most important incentive**

The patent system was created to reward and stimulate ingenuity and inventiveness. Classifying a novel idea as the inventor's property which could be reserved for exclusive use or sold or leased for a royalty permits the idea to be used openly without fear of competition for 17 years and with due recourse to law if infringed.

These rights and benefits have produced a powerful incentive for people to exercise their ingenuity and devote their efforts to finding new, improved ways to do things and new tools with which to do them. There is no doubt that the existence of the patent and patent rights has had a profound influence on the rapid industrial growth of our country and served to bring native ingenuity to the fore.

In recent years, however, there has been a tendency on the part of the government to appropriate patent rights of individuals which will reduce and tend to kill the incentive they were originally designed to produce. Take, for instance, the policy of a good many government agencies toward their employees—among them the Atomic Energy Commission, The Bureau of Standards, Department of Agriculture, and others. In general, they require that their employees assign to the government all their rights, including commercial rights, on any idea patented by them.

If the employees were specifically paid to invent, or adequately remunerated, this might be fair; but in most cases they are not. Under such circumstances the patentee should be allowed to retain the commercial rights as an incentive.

Fortunately, this policy is not held by the Armed Forces, which so far have been able to maintain a more liberal policy of allowing inventors to retain commercial rights wherever possible. Such a

policy is not only fairer to the inventor, it has paid off in the form of greater progress.

Some years ago a survey was made of the number of applications for patents in the Bureau of Standards and in the Naval Research Laboratory which were roughly comparable in personnel. It showed that in that year the Naval Research Laboratory personnel had filed more than twice as many inventions as personnel of the Bureau of Standards. This single instance may not prove the point but, coupled with others, it indicates the value of an incentive policy whereby the inventor can reserve at least part of his patent rights which the government has no means of using properly. Today, many companies shun government developmental contracts because they cannot retain any rights to their work after completion. Here again is a case where incentive is curtailed at the expense of progress. It tends to deprive the nation of the skilled efforts and the use of the facilities of some of the most competent organizations in the country.

Realizing the situation, the Department of Defense has historically accepted only licenses for use by the government, leaving title with the inventing contractor as an incentive. This stimulates the highest quality in work and encourages faster completion of the job.

Unfortunately, our government in some policies seems to be leaning toward an increasingly socialistic point of view, which will weaken the driving force behind constructive applications of ingenuity. For instance, some bills pending before Congress currently would shorten the lives of drug patents and give the federal government title to certain inventions. What then would stimulate new researchers?

Socialistic thinking does not seem to comprehend that people as a whole receive greater benefits from progress than from rules to force equality.

History tells us that socialism, despite its well meaning ideals, just doesn't work in the competitive world in which man has evolved. Man's natural tendency is to try to outdo his fellow man. If his efforts are not rewarded or are frustrated by rules, he will drift aimlessly.

This does not make for progress or assure survival individually or nationally.

In the sciences there are amazing examples of ingenuity today. In the relatively new field of nuclear





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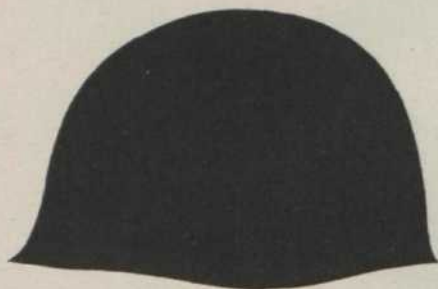
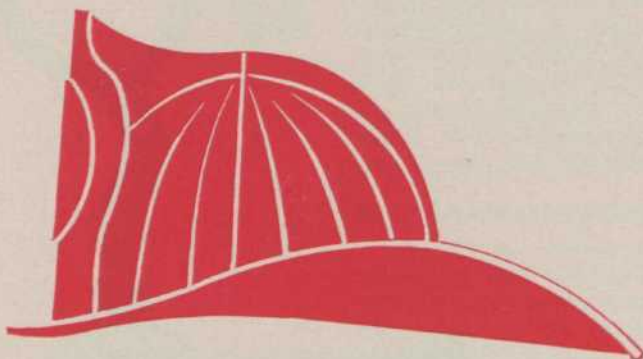
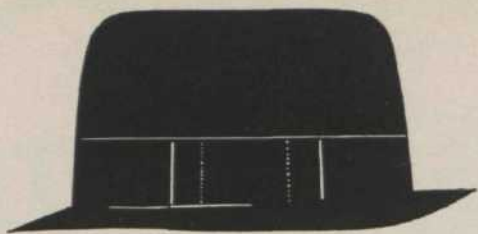
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As a responsible businessman you want to do your part in working for schools, parks, playgrounds, improved streets, good government. But volunteering to help in these areas isn't a "do it yourself" project.

Through your local chamber of commerce you'll find many others also volunteering to work with you towards your city's improvement. The pure *voluntariness* of chamber work is the real source of its strength.

Next time you have the urge and concern to work on a community project, channel your energies through the local chamber . . . where it will be strengthened by the support of other willing and active citizens.

## PETE PROGRESS

speaking for progress through the voluntary organizations of business . . . trade and professional associations and local chambers of commerce.

## INGENUITY

*continued*

physics the means developed by which we can measure the mass, energy and velocity of infinitely small and unseen units, and harness forces and energy beggar imagination.

In mathematics we have found means of arriving at comprehensible answers to incredibly complex problems by means of expressing general relationships mathematically which would be impossible by means of words.

In chemistry new substances are being produced through the study of molecular structure by means of the electron microscope and rearranging the molecules to produce new products with the desired characteristics.

In astronautics we have the satellite which derives its power for operation by absorption of solar energy to inform us of conditions existing in outer space and even send us pictures of what it sees.

All this and more has come about through the ingenuity of man, and in particular the genius and dedication of our many unheralded scientists who often receive relatively little reward other than the esteem of their fellow scientists and their own self-satisfaction for their accomplishments.

For years, the National Inventors Council, of which I am a member, has sought with little success to have the U. S. government institute an adequate system of awards as an incentive to spur inventiveness and original work.

These awards would be in addition to and not a substitute for patents, as some have proposed. It makes no sense for the government to take patent rights because it has no means to exploit them and they thus become valueless. No company is likely to spend the funds necessary to develop an invention to the point of use, or to produce it, if every competitor has an equal right to it through a government-held patent.

The patent system must be retained as the primary incentive for ingenuity. But awards can add even more to this incentive as a just reward for valuable ideas which are not necessarily patentable.

In Britain, for instance, Sir Frank Whittle received a grant of 100,000 pounds sterling tax free for his invention of the turbojet engine. In the United States an



award was made to Dr. W. B. MacLean who developed one of the most valuable guided missiles of our time. Simpler, cheaper, more effective than anything previously developed, it served as a powerful deterrent to Red Chinese aggression aimed at Formosa. But it required an act of Congress to award him \$25,000, taxable as income.

Fortunately, under Navy policy, he was able to retain commercial rights, which are far more valuable.

The availability of large and prompt awards through a widely known established system would have a tremendous effect in stimulating new thought and effort in this country with corresponding effect on industrial progress.

Ingenuity has been more than a major factor in man's evolution. It has been a key factor in his survival. The more enterprising members of the species that were man's ancestors began to arm themselves with stones and clubs against the stronger wild beasts. Thus, they used their own initiative rather than waiting for natural evolution to provide them with physiological means of protection.

This is in contrast to other more powerful contemporary species which ceased to exist because they did not have the mental characteristics to cope with changed living conditions by artificial means.

Consequently, it is apparent that from the earliest days, ingenuity has been an ingrained quality of man.

In the world today we face a new and vital problem. Man has increased his physical power at a rate far greater than he has developed his wisdom to use it. The flint ax of the Stone Age has become a deadly thunderbolt with which man is capable of destroying himself and his world as well as his personal enemy.

What then lies ahead? None of us can tell. Certainly one thing we can do to gain a better fate than eventual extinction is to keep on solving individual problems as they appear by recourse to that same characteristic which brought us out of the jungle.

There will always be a way if we have the ingenuity to uncover it and the wisdom to follow it. **END**

**REPRINTS** of "Qualities of Victory, Part 4: Ingenuity" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D.C. Please enclose remittance.

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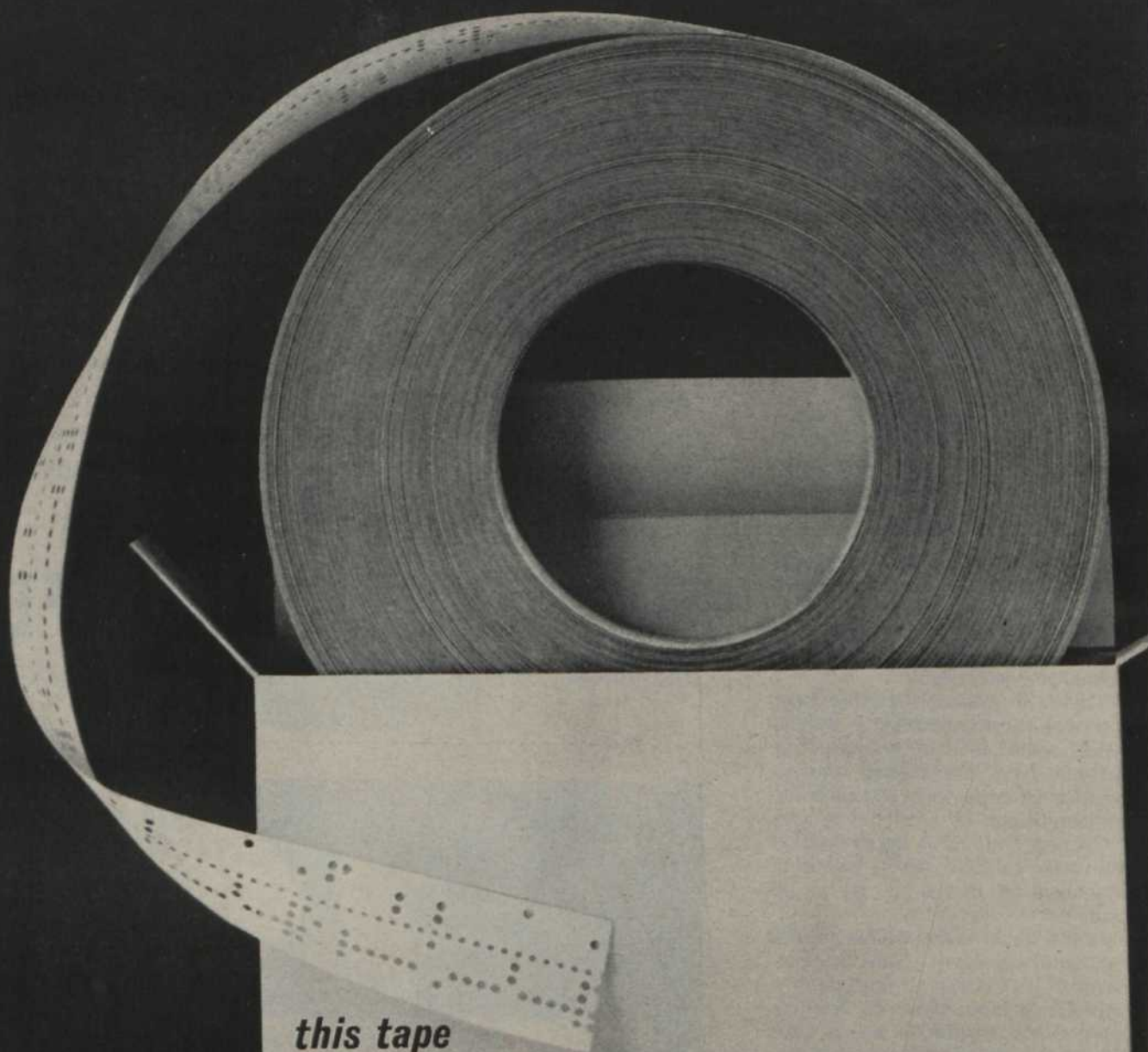
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# PERSONAL OUTLOOK

## Make your vacation pay

**If you're going abroad** on vacation, a little businesslike thinking and planning can give your trip added value.

Although you're traveling for pleasure, keep your business sense sharpened.

Casual conversations with foreign businessmen have led to many new ventures involving U. S. exports, imports, or joint operations.

You also will have a chance to gain useful insights into the overseas competition which is exerting such strong pressure on our economy.

**Advance planning** can channel your contacts with foreign businessmen into the areas in which you are interested.

You would probably like to see how firms similar to yours are operated in the countries you visit, for example.

**A number of sources** are available to supply information and help you set up advance arrangements.

Doing homework before you leave can prove valuable. Your local Commerce Department field office or the Trade Initiation Division, Department of Commerce, Washington 25, D. C., can supply data on business conditions in the countries on your itinerary.

They can also give you names of foreign firms in your particular business.

Trade associations and chambers of commerce overseas are another useful source.

**If your explorations** ripen into a potential business deal while abroad, check with the commercial attaché at the U. S. embassy or

consulate. He can tell you about the firm with which you're dealing, as well as provide data on local regulations affecting trade with the U. S., applicable U. S. regulations, banking and transportation facilities, and the like.

## You can learn from trade fairs

**While traveling** in foreign countries, you can broaden your business knowledge further by visiting trade fairs that fall within your itinerary.

More than 300 international fairs are scheduled for 1962. Lists are available from the Business Services Division, Department of Commerce, Washington 25, D. C.

**The big ones** include: Frankfurt, Feb. 18-22 and Sept. 2-6; Vienna, March 11-18; Osaka, April 5-25; Milan, April 12-27; Paris, May 19-31; Djakarta (Indonesia), July 15-Aug. 15.

If you're not going abroad, try one of the international fairs in this country. Among the leaders are: New York, May 11-22; Chicago, July 25-Aug. 12; Dallas, Oct. 6-21.

## How war can affect investments

**What does war** do to investments when a country suffers widespread damage?

German investors have gone through world wars and runaway inflation. Their experience is



## PERSONAL OUTLOOK

significant, although its application to major nuclear war is questionable.

**Common stocks** proved in most cases better able to weather war and inflation than bonds or real estate.

Farsighted German investors concentrated their money in the basic industries which could be expected to play a vital role in the rebuilding of the country.

**Despite destruction** of many of these companies by bombing, their stock certificates were more valuable than currency.

### Provide for common disaster

**Your estate planning** can be turned upside down by an accident in which both you and your wife are killed.

Your will may be drawn to minimize estate taxes on the assumption that your wife will outlive you.

**The law of your state** may presume that you survived your wife, however, in the event of a common disaster where it is impossible to tell who died first.

Or it may direct that the property of each be distributed as if he or she had survived.

**To avoid possible upset** of your planning, you should consider directing in your will that either you or your wife be presumed to have survived the other, depending on which presumption is best in your case.

### It may be time to trade your car

**Is this your year** to trade in your automobile?

It is for one out of every nine Americans.

Some general rules for deciding when to trade with the least dollar loss have been worked out by Runzheimer and Company, cost specialists who figure automobile allowances for more than 200 fleet-operating companies.

**If your car** is three or four years old or has traveled 60,000 miles, it's probably time to replace it.

For U. S. compacts, tentative limits are 2½ to 3½ years or 45,000 miles, pending further data.

Fleet owners, whose cars average higher yearly mileage than pleasure drivers, usually trade sooner.

### Buyer's market in large homes

**Bargains in big houses** are available in many parts of the country.

If you're planning to build your own, you'll find contractors bidding more competitively for your business. You'll get more for your money than in recent years.

**If you're interested** in buying an existing house—but one which is relatively new, built since 1950—you'll probably discover that prices are below the levels of a year ago.





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## LABOR LOBBY'S AIM

continued from page 30

Labor tremendous powers. We think he's got enough now."

### 4. Picketing.

On another bill to legalize secondary boycotts where the employers and work involved are at a common site, there is conflict within the AFL-CIO between the building trades and industrial unions.

The building trades favor a bill which would protect union boycotts at construction sites. Industrial unions support a broader bill which would protect them against raids from building trades unions at industrial plants. The legislation has stalled because of the union differences, which AFL-CIO President George Meany is trying to resolve. Behind this issue is the historic clash between craft and industrial unions over job control.

### Special union interests

Labor lobbyists devote considerable effort to legislation of special interest to their union and their industry, often collaborating with industry lobbyists.

Sidney Zagri of the Teamsters Union, for instance, talks mostly about legislation of particular concern to the union led by the controversial James R. Hoffa. The bills involve the trucking and farm industries and crime.

"The Teamsters and the trucking industry are concerned very much," Mr. Zagri says, with a bill which would upset a present rule of the Interstate Commerce Commission allowing railroads to lower freight rates on certain commodities.

On the other hand, Cyrus T. Anderson of Railway Labor's Political League and the railroads oppose this bill, contending that it would upset legislation passed a few years ago to give the railroads some flexibility in fixing rates for certain products and enable them to be competitive with other forms of transportation. Mr. Zagri, the truckers and the railroads are all behind legislation which would clarify and provide for stricter enforcement of existing laws so as to curb infringement by nonregulated carriers.

The Teamster lobbyist is also pushing for an investigation of egg pricing and of alleged monopolistic practices of feed and grain companies, which he charges engage in the poultry business only as an outlet for their product. (The Teamsters are trying to unionize small poultry farmers.)

Mr. Zagri is trying to get Congress to remove the seasonal exemption from the wage-hour law of workers in agricultural processing. (The Teamsters represent a considerable number of workers in canneries.)

He is against a bill which would amend the Landrum-Griffin reform law to include misuse of union funds among the crimes for which a union officer could be barred from office.

Misuse would be difficult to define, he says, and might be construed to include defense of a union officer against prosecution growing out of legitimate union activities.

In the crime area, Mr. Zagri is fighting several proposals which he asserts go beyond crime prevention and would hurt the labor movement.

The Teamster official supports several welfare-type measures which

neers. For the former he is trying to get tips included as part of wages in computing social security benefits. (Sleeping car porters oppose this because they don't want railroad management to bring up tips when the union argues that porters need higher wages.)

For the Operating Engineers and other building trades unions, Mr. Anderson and the AFL-CIO Building Trades Department are pushing for revision of the Davis-Bacon Prevailing Wage Law. They want fringe benefits included in the determination of wages which must be paid for work on federal construction.

Special legislation being sought by the United Mine Workers is the inclusion of small coal mines among those subject to federal inspection under the Mine Safety Law. Present law exempts mines employing fewer than 15. They come under state laws.

The Textile Workers Union, which has had problems, particularly in the South, is trying to get legislation which would help it organize workers and win strikes.

Its spokesman, John W. Edelman, the dean of union lobbyists, says he hopes to get a House labor subcommittee hearing on a study by the Workers Defense League on use being made of the race issue in trying to deter unionization of southern workers. The objective is to make such action an unfair practice under the Taft-Hartley law.

### What unions fight

Union lobbyists are fighting hardest against four bills which would lift the immunity unions now enjoy under the antitrust laws and one which would prohibit strikes at missile bases and other strategic defense facilities.

The bills have bipartisan support, having been introduced by both Democratic and Republican members of Congress.

Three of the antitrust bills would attack monopoly and restrictive practices of all unions. The fourth, by Sen. John L. McClellan of Arkansas, would apply only to unions in transportation industries.

On taxes, organized labor is opposing the Administration's business investment tax credit proposal intended to stimulate capital expenditures and increase job opportunities. It also opposes the Baker-Herlong proposal to reduce the top individual income tax bracket from 91 to 47 per cent.

It supports, however, the Administration's plans to tighten tax



*John Edelman, dean of union lobbyists, pushes laws to ease problems of Textile Workers Union*

are of general interest but which were not mentioned by other lobbyists.

One would reduce retirement age under social security to 60 immediately and still lower if needed to alleviate unemployment. The other would reduce the standard 40-hour week and place a penalty on moonlighting—holding a second job—by requiring employers to pay time and a half for any hours a person works beyond 40, regardless of by whom employed.

Mr. Anderson is also interested in special industry legislation. As lobbyist for railroad unions he wants Congress to limit railroad mergers. He is not against mergers as such, he insists, but wants to protect railroad jobs and the interests of the traveling public.

Mr. Anderson also lobbies for the Hotel and Restaurant Employees Union and the Operating Engi-



treatment of Americans and American companies abroad. It also wants individual tax exemptions increased.

#### How labor lobbies

Labor's lobbying machine extends from Capitol Hill to the individual union member and his friends and neighbors.

The main contacts are made and strategy coordinated in Washington. The AFL-CIO has a Legislative Council which meets on the second Monday of the month during legislative sessions. It is made up of 125 representatives of individual labor organizations, with Mr. Meany as chairman. An administrative committee of 15, under Mr. Biemiller, meets every Monday when Congress is in session.

At these meetings bills are discussed and strategy is planned with respect to any which affect more than 100 issues on which the AFL-CIO has taken a position. Individual union lobbyists are free to act on their own where they disagree with the AFL-CIO position.

Testimony and contact work on "the Hill," is backed by support from back home.

It is common to bring in large delegations of union members to impress their congressman, who may be wavering on a labor issue. Miss Dubrow of the garment workers says she brought more than 200 groups of workers to Washington over a two-year period, and brought more groups than any other union to help get the minimum wage increased last session.

The Steelworkers bring graduates of their legislative-education courses in 28 districts to Washington to see what makes the legislative wheels turn and thus be better able to respond when they get urgent calls from Washington for grass-roots pressure.

The newest grass-roots lobbying project is still in formation. The AFL-CIO Industrial Union Department is setting up special committees in about 60 congressional districts to try to influence middle-of-the-road congressmen.

Jacob Clayman, IUD administrative director, says the committees will carry on a continuing barrage of communication with the congressmen through telegrams, letters, meetings or "whatever device is effective in the district."

These committees will also be useful at election time, an IUD spokesman says. They stand as a threat to a member of Congress who doesn't respond favorably. **END**

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## Successful sales plans must be tailored to changing outlets

buy. This leaves the choice of outlets up to the manufacturer.

The type of outlet he chooses will determine:

1. *The quality and design of the product.* The glass manufacturer with 10 outlets has a slightly different design for each outlet, with fewer trimmings for the lower-priced items. This looks like a good solution but with so many outlets there are so many inventories, areas and forms that the company's communications are seriously taxed. Usually, a manufacturer seeking mass outlets tries to standardize on a line which, if quality is maintained, has simpler workmanship, fewer frills and extras.

2. *The brand.* This is a hot issue. The man in charge of market planning had better ask himself, "What will our established customers do if we start selling the same goods to the mass outlet?" Many of them have found out. They've been kicked out of the store.

A manufacturer may attack the brand problem in two ways:

First, release his own long-standing and nationally advertised brands to the mass outlet as well as to the conventional merchant. Some keep peace by letting the conventional quality store build up new lines first.

Second, release a lower-cost, lower-priced brand in a separate package—a brand also built up by strong national advertising support.

3. *Type of package.* One firm which sells Christmas wrapping paper has a different package and price for the variety store, the supermarket and the smart department and stationery store. For the discount store, packaging is of prime importance. The manufacturer must help the store offset the similarity of products by a vivid presentation of the brand name and sell-itself data.

4. *Pricing.* Merchandising policies must be adapted to the comparative mark-ups of discount and conventional stores.

5. *Advertising.* Straight price appeal usually dominates discount advertising. Conventional stores more often seek to build an image of style leadership and prestige.

Prof. Abe Shuchman of Columbia University's graduate school of business suggests that another kind of advertising isn't used enough:

"The full-service dealer does not sell his service adequately—does not let the customer know how much he's really getting. The retailer concentrates on product to a far greater degree than he should. Manufacturers do the same thing. Merchants as well as manufacturers ought to merchandise these services by featuring them in their advertising."

Most conventional outlets offer at least these types of assistance: personal attention, deliveries, exchanges, product repair service, credit, reputation for reliability of brands, specialty items, branch outlets for customer convenience.

6. *Display technique.* For the conventional store, the manufacturer develops point-of-sale showpieces and continuous promotions. These practices of long-proven effectiveness will be accentuated to meet the new competition. For the mass outlet, the manufacturer practically runs the product display.

7. *Type of selling force.* The mass merchandiser is usually sold at headquarters with service salesmen calling in the stores. The conventional store is more often sold through a wholesaler. Many manufacturers set up separate selling operations to serve each.

8. *Type of educational work.* The staff of a smaller store which changes to discounting may need education on this type of merchandising. Most large conventional retail organizations swinging over to discount operations have less need for such training.

After he has made the necessary decisions on outlet, the manufacturer must determine how he will reach his new markets.

First, he must define their location, size and population characteristics; choose the best method of getting the product to the retailer; select the best technique of getting the product to the wholesaler; determine the merchandising functions to be carried out by the manufacturer, wholesaler and retailer; and work out the best mar-

keting methods for each outlet. These decisions are not new to him; he made most of them before. But now he must carefully consider changed conditions and guard against getting side-tracked.

When these new channels have been set up, the manufacturer must turn his mind to improving his position with all his outlets.

Manufacturers are finding a number of new assists which can help build up the operation of both mass outlets and conventional stores. Some examples follow:

For mass outlets:

1. *Increased product services.* Repairs, operational information and so forth. There is a strong trend toward manufacturer-conducted service operations, and the development of independent neighborhood service men's associations. When these services expand, mass marketers will be more able to offset one of the main objections to discount house buying of appliances—the lack of good service.

2. *More service salesmen* to assist with displays and inventory.

3. *Cooperative advertising and display allowances.*

4. *Technical merchandising and financing assistance.* Elimination of standard retail, record and financial systems to cut costs has gotten many of the newer mass outlets in trouble. They need help in setting up good systems.

For conventional outlets:

1. *Enhance the store's fashion image.*

2. *Provide "bread and circuses"* such as food fairs, art exhibitions, festivals celebrating community events or anniversaries, special days featuring visiting celebrities and style experts. Object: to make the store an exciting shopping center.

3. *Improve retail sales-clerk effectiveness.* Success in training store clerks has been spotty in the past but manufacturers feel they cannot relax their efforts.

4. *Glamorize store atmosphere.* Many traditional stores assert their quality by providing luxurious surroundings, and more sophisticated decor throughout, as well as more special display settings. Manufacturers are helping this effort.

The manufacturer, wholesaler and retailer alike will be affected by the distribution revolution. No one knows where it will all end. Only one thing is certain. The consumer will buy wherever he feels he's getting the most for his money.

—PHILIP GUSTAFSON



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## WHITE HOUSE LAWS

continued from page 33

was over—held that he had exceeded his powers in suspending the *habeas corpus* privilege throughout the country, rather than in war areas alone.

In appraising their peacetime scope, it may be helpful to separate executive orders into four categories: housekeeping, delegated law-making, those based on new construction of old law, and those based on no law.

### 1. Housekeeping orders:

Most executive orders are routine and fall into this category. An example is George Washington's June 8, 1789, directive to his top subordinates to give him a clear account of affairs in their departments. This was the first executive order.

### 2. Law-making orders based on a specific congressional delegation of power:

Included in this group are far-reaching law-making powers which the President—or a subordinate—exercises in operating government programs, or which are available for use in time of emergency.

### Two FDR lost

Only twice has the Supreme Court voided an executive order on grounds that Congress had delegated excessive legislative power to the President. The two decisions were handed down in 1935, when a majority of the court struck down the National Recovery Administration. This enraged President Roosevelt and prompted his unsuccessful attempt to pack the high court.

The National Industrial Recovery Act—a product of the first 100 days of the New Deal—authorized the President to impose regulatory codes on business.

On April 13, 1934, Mr. Roosevelt signed an executive order establishing a code for chicken slaughtering houses in metropolitan New York. It fixed minimum wages of 50 cents an hour, maximum hours at 40 a week, and a minimum number of employees geared to a firm's business volume.

Convicted of violations, a chicken slaughterhouse operator in Brooklyn appealed to the Supreme Court, which invalidated the order.

"Congress cannot delegate legislative power to the President to exercise an unfettered discretion to make whatever laws he thinks may be needed or advisable," Chief Justice Charles Evans Hughes ruled.

A few months later another code

regulating oil marketings suffered the same judicial fate. So did the N.R.A.

Three years passed before Congress by law established a federal minimum wage of 25 cents an hour—one-half the level President Roosevelt had tried to legislate for New York chicken slaughtering plants.

In deference to the Court, Congress ever since has been careful to limit discretionary grants of power with standards or guidelines.

### 3. Law-making orders erected on old laws originally enacted for a different purpose or to meet different circumstances:

When a President feels he should act without specific congressional approval, Justice Department attorneys sometimes can find an old statute to fit his purpose.

The Commission on Civil Rights last fall urged President Kennedy

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What business needs from government is more freedom, says Monsanto president. Exclusive interview starts on page 34

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to base an executive order aimed at discrimination in housing on the Constitution and the Civil Rights Act of 1866.

The law says: "All citizens of the United States shall have the same right, in every state and territory, as is enjoyed by white persons thereof, to inherit, purchase, lease, sell, hold and convey real and personal property."

### 4. Law making orders for which no statutory basis can be found:

President Kennedy could find no statutory authority for legislating last March against discrimination in employment. He cited "constitutional principles and policies."

### Power of Congress

During the Korean War, in 1952, President Truman tried to head off a steel strike by having the government seize most of the steel industry and take over negotiating a new labor contract with the steel workers. The executive order cited the President's aggregate powers which the court, in some earlier cases, had deemed sufficient authority for industry seizures.

The steel seizure case illustrates how executive orders may be appealed to the courts. No one can stop a President from issuing an executive order or force him to withdraw it. But the courts can stop his subordinates from carrying it out.

President Truman's order was directed at Commerce Secretary Charles Sawyer. The steel companies asked and got a federal court injunction to stop Mr. Sawyer from executing the order. Within hours the Truman Administration persuaded the U. S. Court of Appeals to stay the injunction. The Supreme Court four days later agreed to hear the case.

The high tribunal then voided the executive order on the ground that it was unconstitutional.

It held that Congress, in passing the Taft-Hartley Act in 1947, had refused to give the President seizure authority to employ against a threatened strike, spelling out, instead, a mediation procedure.

The moral is that timely legislation by Congress can do more to limit presidential law-making than lawyers' constitutional arguments. Where Congress has not spoken, the judges are more inclined to let the President assert power.

In the early days of the New Deal President Roosevelt issued executive orders so fast that nobody—not even the government—could keep up with them.

In December, 1934, a lawyer complained to the Supreme Court that his client "was arrested, indicted and held in jail for several days and then had to put up bond for violating a law that did not exist, but nobody knew it."

The man had violated a provision of the N.R.A. oil marketing code after its repeal by a new presidential order. At the time of the trial nobody knew that the code had been changed—not even the prosecuting attorney, defense attorney, or trial judge.

Supreme Court Justice Louis D. Brandeis asked: "Is there any way by which one can find out what is in these executive orders when they are issued?"

"I think it would be rather difficult," the government attorney conceded.

To remedy this chaos, Congress launched publication of the daily *Federal Register* in March 1936. Today, within a few days after they are issued, executive orders and other federal regulations are published in the *Register*.

—VINCENT J. BURKE



# WORLD FORCES U.S. CHOICE:

## BLOC POLITICS

### OR

## NATIONAL STRENGTH

Many government policies clash with nation's current needs

DRAMATIC economic changes in the world have caught the U. S. off balance at a time when we need to be most agile.

Political policies that have long impeded American business now appear to be glaringly at odds with vital national objectives.

Conflicts will have to be resolved in such important areas as tariffs, taxes, subsidies, union power and federal spending.

What has made the U. S. policy clashes more apparent is the competitive vigor of industrial Europe. This development has complicated our positions toward new nations, our allies and the communists.

If policy-makers fully appreciate government's dependence on American business as well as the need for modernized plans and programs, they could shift government's direction; not toward preferred treatment, but toward more equity for U. S. industry and commerce.

This could bring business lower costs and broader markets.

Widening awareness in this country of the strength and pervasiveness of the European Common Market's challenge comes at a time when Congress must act on new foreign trade proposals.

The Kennedy Administration wants broad new powers to promote freer trade. This goal, however, rams head-on into a lineup of conflicting laws and obsolete proposals, many of extreme political touchiness.

The Administration and the Congress must now face up to these twisted situations:

1. Present tax statutes limit industries' ability to modernize and compete here and abroad. New proposals to encourage modernization don't go far enough or take the wrong approach. Recommendations for taxing foreign subsidiaries' earnings would discourage trade and could force more spending for foreign aid.

2. Farm laws subsidize inefficiency and promote overproduction while we urge European farmers to

adopt freer market policies and fewer controls.

3. Federal wage-fixing laws and political policies encourage higher wages and thus higher costs that restrict business from competing in foreign trade. Government-caused unemployment is increasing job losses.

4. Rising federal spending that commits as much revenue to welfare and nonmilitary programs as to needed defense makes tax reform difficult and tests foreign confidence in the dollar. This is at a time when rising imports and overseas military spending create new balance of payments problems and continuing gold losses.

The Administration indicates it is aware of these problems. But it is short on solutions.

The Common Market—France, West Germany, Italy, Belgium, Luxembourg and The Netherlands—is only four years old. But it seems to be rushing toward one of its major economic objectives—elimination of internal duties among the



members and erection of a common external tariff wall, in some cases to be higher than present duties of the individual countries.

In addition, 16 African nations have agreed to a link with the Market. They will get advantageous trade treatment similar to that of the Common Market members.

Meanwhile Britain and other nations of the European Free Trade Association are seeking connections and may eventually be joined in some fashion with the Common Market.

Roughly one third of the United States' \$20 billion of annual exports now goes to Western Europe. This has been the fastest growing market for our exports. But if we must face a high duty wall around Europe while tariff advantages are given other nations, this export business will soon be reduced and the free world could be split commercially.

Imports are also vital. The main way a nation gains from trade, economists agree, is through the ability to import things not otherwise available.

To keep and expand export markets and to import what we need, the Administration wants, and most businessmen favor, more authority to negotiate tariff reductions to promote trade. Though there is general agreement that some relief is due those injured by imports, many believe that relief should be given only as it promotes more efficient production. The Administration wants to replace the traditional protection of tariff increases with import adjustment assistance in the form of business loans, tax credits for new equipment and retraining for displaced workers.

#### **Hemmed in by taxes**

For many years, businessmen have complained that wartime-high income taxes, obsolete depreciation allowances and tax theories aimed at accomplishing social objectives are hardly conducive to sound economic growth.

Today, at last, there is wide agreement in the Administration and Congress that tax reform is necessary to permit business to modernize and to invest in new job-producing enterprises. Our industrial machinery on the average is 15 years old. But the drastic changes that are needed have not yet been proposed.

The Administration has pushed for a tax credit to offset part of new business investment. The tax credit

in the eyes of most businessmen is an expensive and discriminatory subsidy which would extend federal influence over the way a businessman invests.

The Administration promises to revise the rules this spring under which plant and equipment in certain industries are written off for tax purposes. But any real reform to permit faster deductions of the cost of new investment and give the taxpayer more choice in how he writes it off will undoubtedly require legislation.

One of the Administration's major recommendations for tax change flies in the face of a tax bill passed by the House in the past Congress to encourage investment overseas and help replace expensive foreign aid with more trade.

Under present law, earnings of a foreign subsidiary of a U. S. corporation are not taxed until they are returned to the U. S. The Administration wants these earnings taxed in most cases as they are earned.

The objective is to eliminate sham tax havens abroad. But the effect could be harmful to legitimate foreign investment and trade.

The proposal would put American foreign operations at a competitive disadvantage with native companies. An officer of one large international company points out that, if the tax proposal on foreign earnings had been law, this corporation would not have had ready capital to bid recently against two Iron Curtain countries for a huge project in South America.

American firms with many foreign affiliates have found it sound practice to centralize ownership of groups of companies operating within one large economic unit—such as the Common Market—in a principal affiliate in one country. It makes operations more efficient. But, under the Administration proposal, dividends to the parent company from this unit would be classed as "tax haven income."

This proposal would shrink U. S. private investment and cut American ability to compete with Europe and Japan even though President Kennedy urged that we "not penalize legitimate private investment abroad, which will strengthen our trade and currency in future years."

Receipts from U. S. investments abroad exceeded new investments by about \$1.5 billion in 1960, so this investment does not hurt our balance of payments position.

Many businessmen believe that the way to strengthen U. S. business and enable it to compete better is through reduced taxes, liberalized treatment of income derived from sources abroad and depreciation schedules more in line with those of other nations, most of which permit tax write-offs half again as large or twice as fast as allowed in this country. Common Market countries also are putting twice as high a percentage of gross national product in machinery and equipment as is the U. S. and their economic growth reflects it.

Any future tax reform might well take into account that a large part of the taxation in Europe is in the form of sales levies, which much of European manufactured exports escape. This helps to keep these products cheaper and thus better able to replace American-made products. Foreign subsidiaries of U. S. companies must pay these taxes, too; but these costs of doing business aren't allowed as credits against U. S. taxes as are income levies of foreign countries.

For tax reform to be equitable today, foreign as well as U. S. tax considerations must be weighed as new laws are written.

#### **Farm exports' importance**

Those calling for more freedom from trade restrictions point out that more than two thirds of our roughly \$15 billion in imports are raw materials and commodities that we need to maintain our industrial machine and our standard of living, but which are not available to us domestically. They do not compete with U. S. business.

The injury from exports in the past has been relatively limited, at least as measured by relief granted under the escape clause of the Trade Agreements Act. From 1947 to the autumn of last year, 88 industries sought relief from the U. S. Tariff Commission, but tariffs were raised or quotas imposed in only 13 instances. This has happened even though tariffs have been reduced drastically since the Trade Agreements Act was passed in 1934.

However, low cost production and increasing efficiency in Europe and Japan may make a higher proportion of industry vulnerable to foreign competition in the future. How much and what kind of injury no one knows exactly, but the interests of important segments of the economy must be considered in the decisions ahead. They show the



## Unions and politicians must realize wages are not only income but costs

difficulties involved in policy-making. Take the textile and clothing industries. They account for about 2.2 million jobs. Moreover, their banner is carried by many members of the House of Representatives and the Senate.

While President Kennedy is urging lower tariffs and freer trade on one hand, he has asked the U. S. Tariff Commission to see if added duties of 8.5 cents a pound are needed to hold down cotton textile imports. The 8.5 cents would be the same amount the government pays U. S. cotton traders so they can sell their raw cotton cheaply enough to be competitive in foreign markets. The government pays this 8.5 cents because our price supports on cotton make it more expensive than the unsubsidized cotton on the world market.

Foreign textile manufacturers can buy cotton 8.5 cents cheaper than U. S. textile makers. Our government keeps U. S. textile producers from buying the unsubsidized world market cotton. So their production costs are higher.

Federal interference with agriculture, at the same time the government promotes free trade, places the U. S. in a contorted policy posture at best.

The U. S. is the world's largest exporter of farm products. Agricultural exports are about one fourth of total U. S. exports. Farm products comprise about one third of all goods sent to Common Market countries.

However, the Common Market is planning to set policies that would drastically curtail these exports and protect European farm production. Canada, Australia, South Africa, Brazil and other countries share with the U. S. a concern to keep these markets open. Our farmers, consumers and allies would be the losers unless this trade can be expanded.

The main struggle in U. S. negotiations with the Common Market so far has been over trying to convince these countries not to set an artificially high target price on grain. This would stimulate production and mean increased restrictions against U. S. grain. Iron-

ically, Agriculture Secretary Orville Freeman told the Common Market officials, "Basically, we believe in the efficiency of the market mechanism as the best means of providing consumers with goods and services." U. S. officials have tried to convince the Common Market that high price supports and import restrictions are not consistent with sound international trade policies.

But in direct contradiction, the U. S. government in 1961 raised the price support on wheat from an average of \$1.78 a bushel to a production-stimulating \$2.00 a bushel, in spite of our gargantuan surplus of more than one billion bushels.

The 1961 feed grain program aimed at reducing acreage and cost is now being labeled a "billion dollar bust," though it was promoted as a means of saving taxpayers \$500 million. Moreover a new high price support for soybeans created a brand-new surplus which may amount to 150 million bushels in this crop.

These expensive experiments in agriculture when revenue needs are so great and when the President is trying to balance the budget have been targets for heavy criticism even within the Administration.

Foreign markets for our farm commodities could be lost, and the deficit in our balance of international payments could be increased, many agriculture authorities agree, unless we adopt realistic domestic programs with fewer federal controls.

### **Costs of wages**

Our exposure to the new competitive rigors of world trade may eventually force more reasonable U. S. wage rates. Union leaders and their political supporters may have to realize that wages are not only income but also costs.

Since, for example, the cost of labor in producing steel in the U. S. is \$32 a day per man and the employment cost of making steel abroad is only \$10 a day, employees can see the intimate relation between noncompetitive wage costs and no job at all.

Over the past generation, labor legislation, the administration of labor laws and union power have often given unions a favored position in the economy. At the same time, these developments have helped aggravate our unemployment problems as well as hamper business.

Profits have dropped sharply per dollar of sales and as a share in national income. From 1950 to 1960, net corporate profits showed no rise at all. In the same decade, compensation of employees rose by 91 per cent. National income increased by 72 per cent. Gross national product, the total value of goods and services produced, went up 77 per cent.

The federal minimum wage laws are one major factor increasing business costs while providing a disservice to many workers.

The minimum was raised to \$1.25 an hour last year by Congress despite the fact that a recession was on.

It has been shown that the minimum wage law doesn't help many

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**When President Kennedy issues an executive order affecting your business, must you obey? You'll find answer on page 32**

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low paid workers. It prices them out of the market.

Raised minimum wages also put upward pressure on wages above the minimum, because pay differentials are prized by employees as well as being essential in rewarding greater skills. Some union contracts provide that, if Congress raises the minimum, union contract floors as well as pay above the minimum go up.

The Walsh-Healey and Davis-Bacon laws for government suppliers and construction contractors set even higher rates. These rates can't be confined just to those particular workers employed on government work. They spread to others in the same company or in similar jobs.

National Labor Relations Board reversals of decisions recently have not encouraged job-makers. Nor have some of the actions of other Kennedy Administration officials.

President Kennedy urged steel



# THE AMAZING POTENTIALITIES OF MEMORY

companies last summer to forego price increases with assurances that he would ask unions to show restraint in wage demands this year. A few weeks later the head of the auto workers boasted that he had won from the industry the biggest economic package in history.

At the AFL-CIO convention last December, Labor Secretary Arthur Goldberg promised the union delegates there would be plenty of room for bargaining in the future.

Union political and economic power has brought union monopoly, compulsory unionism and, too often, the use of force and violence in backing up labor demands.

Over the next decade the work force will expand by about 13.5 million. There will have to be tremendous increases in capital investment and new ventures to provide jobs. Government-paid retraining won't assure employment if business can't expand fast enough to provide the jobs.

Union political and economic strength is not unique to the U. S. But in most foreign nations union officials are disciplined by the fact that these countries normally are heavily dependent on exports to earn the foreign exchange to pay for imports. Exports must be competitive in cost, and foreign union leaders know it.

Pressures are growing for a government-fixed national wage policy for the U. S. what with union officials' power, labor costs and the need to guard against future inflation.

It is hard not to conclude, however, that the play of the market—the forces of demand and supply—is the best way to set wages as well as prices in our competitive enterprise economy.

## Confidence in the dollar

When last summer's Berlin crisis brought stepped-up spending for the military, economy-minded members of Congress urged that domestic spending be curbed to help balance the needed defense outlays.

President Kennedy and his supporters at first saw no need to cut back on nonmilitary billions. Then reversing signals, he ordered his cabinet officers "to follow a most careful and frugal policy . . . in scrutinizing all expenditures, tightening requirements, postponing the initiation of deferrable projects and phasing out any acceleration of (antirecession spending)."

Suddenly a minimum deficit for fiscal 1962 and a balanced budget

for fiscal year 1963, beginning next July, became major fiscal goals.

Obviously, with the grimmest of international problems from Cuba to Laos to Berlin to the Congo, the nation needed to set up priorities for spending. We couldn't conduct a kind of have-our-cake-and-eat-it-too fiscal policy while so near to the edge of war.

In the opinion of many citizens, Congress already had been overgenerous in its 1961 session with appropriations to redevelop areas, some of which didn't know they were depressed and didn't want federal help. Or in providing money to build sewers for towns that could construct their own. Or in guaranteeing 40-year loans on housing that probably wouldn't last that long. Or in sponsoring an untried Peace Corps.

The President's declared economy aims indicated that some proposals, such as a new multimillion dollar replacement for the aquarium in the U. S. Commerce Department Building, might not be totally essential to economic growth and a lasting peace.

However, of the more than \$8 billion increase in Kennedy Administration spending over the Eisenhower recommendations for fiscal '62, about half will apparently be for nondefense items and programs. Likewise Mr. Kennedy's new budget for fiscal '63 proposes almost as heavy increases for non-defense spending as for military outlays.

Although inflationary pressures seem dormant presently, the importance of the soundness of U. S. currency can't be overestimated. Worldwide confidence in the dollar is necessary to help unite the free world nations. This both the Administration and Congress appreciate.

A leading American executive, U. S. Steel's Board Chairman Roger Blough, noted recently:

"Basically, confidence in the American dollar means confidence in Americans—in American policies of productiveness, in the will to produce and the constant renewal, enlargement and perfection of the capital equipment vital to that production.

"It is confidence that factories and buildings will be built, that men will have useful—not merely time-consuming jobs; that what is produced will be able to compete in the market place . . ."

Our government must now determine if future national policies will create this confidence. **END**

**I** LITTLE thought when I arrived at my friend Borg's house that I was about to see something truly extraordinary, and to increase my mental powers tenfold.

He had asked me to come to Stockholm to lecture to the Swedes about Lister and other British scientists. On the evening of my arrival, after the champagne, our conversation turned naturally to the problems of public speaking and to the great labour imposed on us lecturers by the need to be word perfect in our lectures.

Borg then told me that his power of memory would probably amaze me—and I had known him, while we were studying law together in Paris, to have the most deplorable memory!

So he went to the end of the dining room and asked me to write down a hundred three-figure numbers, calling each one out in a clear voice. When I had filled the edge of an old newspaper with figures, Borg repeated them to me in the order in which I had written them down and then in reverse order, that is beginning with the last number. He also allowed me to ask him the relative position of different numbers: for example, which was the 24th, the 72nd, and the 38th, and I noticed that he replied to all of my questions at once and without effort, as if the figures which I had written on the paper had been also written in his brain.

I was dumbfounded by such a feat and sought in vain for the trick which enabled him to achieve it. My friend then said: "The thing you have just seen and which seems so remarkable is, in fact, quite simple; everybody has a memory good enough to do the same, but few indeed can use this wonderful faculty."

He then revealed to me how I could achieve a similar feat of memory, and I at once mastered the secret—without mistakes and without effort—as you too will master it tomorrow.

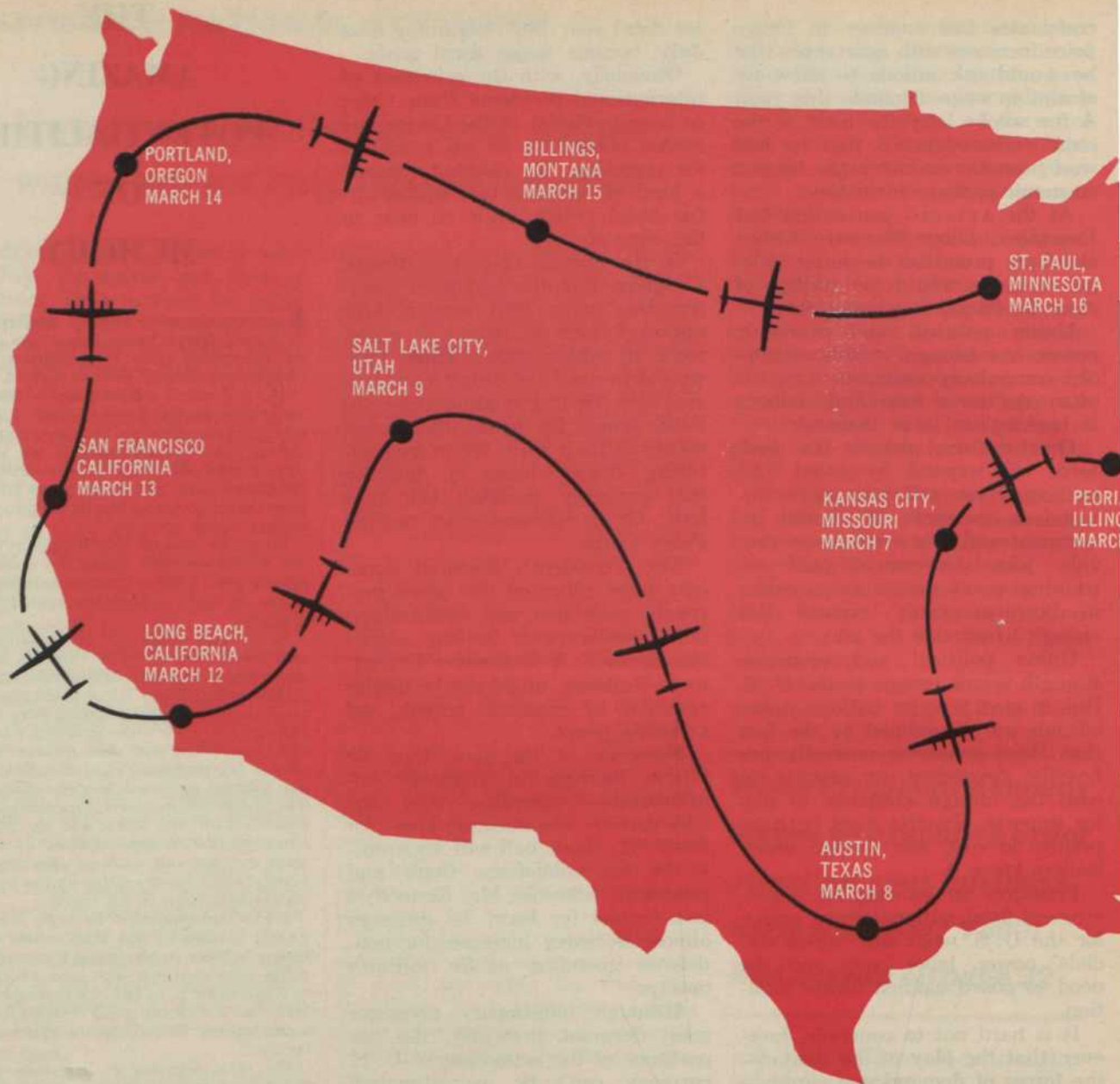
But I did not stop at these amusing experiments. I applied the principles I had learned in my daily work. I could now remember, with unbelievable facility, the lectures I heard and those which I gave myself, the names of people I met—even if it was only once—as well as their addresses, and a thousand other details which were most useful to me. Finally, I discovered after a while that not only had my memory improved, but that I had also acquired greater powers of concentration; a surer judgment—which is by no means surprising since the keenness of our intellect is primarily dependent on the number and variety of the things we remember.

If you would like to share this experience and to possess those mental powers which are still our best chance of success in life, ask D. M. Borg to send you his interesting booklet *The Eternal Laws of Success*—he will send it free to anyone who wants to improve his memory. Here is the address: D. M. Borg, c/o Aubanel Publishers, 14 Highfield Road, Rathgar, Dublin 6, Ireland.

Write now—while copies of this booklet are still available. Postage is 5c for a postcard, surface mail, to Ireland.

L. CONWAY  
Advertiser's Announcement





## WHEN AND WHERE THE 1962 AIRCADE MEETINGS WILL BE HELD

Feb. 26—New York, N. Y.—The Waldorf-Astoria  
 Feb. 27—Providence, R. I.—Sheraton-Biltmore Hotel  
 Feb. 28—Syracuse, N. Y.—Hotel Syracuse  
 Mar. 1—Columbus, Ohio—Veterans Memorial Building  
 Mar. 2—Charleston, W. Va.—Charleston Civic Center  
 Mar. 5—Spartanburg, S. C.—Spartanburg Memorial Auditorium  
 Mar. 6—Peoria, Ill.—Hotel Pere Marquette  
 Mar. 7—Kansas City, Mo.—Municipal Auditorium  
 Mar. 8—Austin, Tex.—Municipal Auditorium  
 Mar. 9—Salt Lake City, Utah—Hotel Utah  
 Mar. 12—Long Beach, Calif.—Municipal Auditorium  
 Mar. 13—San Francisco, Calif.—Hotel Fairmont  
 Mar. 14—Portland, Ore.—Sheraton-Portland Hotel  
 Mar. 15—Billings, Mont.—Fox Theater  
 Mar. 16—St. Paul, Minn.—Municipal Auditorium



**RICHARD WAGNER**, President of the National Chamber and Chairman of the Executive Committee of the Champlin Oil and Refining Company, will head the 1962 Aircade team.



**ARCH N. BOOTH**, Executive Vice President of the National Chamber, will serve as the Aircade discussion leader for the sixth consecutive year.



# BE A MORE RESPONSIBLE, MORE INFLUENTIAL CITIZEN

Be better informed about national affairs. Equip yourself to have a greater say about what the future of the country should be. Do so by attending one of the National Chamber's 1962 Aircade Meetings for Citizenship Action.

## What You Will Get Out of the Aircade Meeting

This is what you will get out of the Aircade Meeting for Citizenship Action—four things:

1. It will give you a close-up, meaningful picture of what is happening in the Second Session of the 87th Congress;
2. It will give you dependable information about major legislative issues, and how they affect you in business;
3. It will show you how to work more closely with your elected representatives in Washington;
4. It will show you how to make your action and example felt on all levels of the political scene.

## What the Aircade for Citizenship Action Is

This describes the Aircade: In the three-week period from February 26 to March 16, a team of National Chamber officers, committeemen, and staff specialists will travel by chartered plane to the 15 key cities shown on the map.

In each city, the National Chamber team—with the help of local and state chambers of commerce and trade associations—will conduct a well-organized, fast-moving, discussion meeting.

It will be an audience-participation meeting.

Speechmaking will be out.

You will be encouraged to ask whatever it is you want to know about today's legislative proposals, trends and developments. Authorities on the subject will give you the answers.

The emphasis will be on presenting the facts in the case—and the necessary background—clearly, and in the fewest possible words.

Visual aids will play a part.

The 1962 Aircade team will be headed by National Chamber President Richard Wagner. Arch N. Booth, Executive Vice President of the Chamber, will serve as discussion leader.

## Plan Now to Attend

Look over the map. Select the Aircade Meeting most convenient for you to attend—and plan to be there. And plan to bring your associates and other business leaders from your community with you. For detailed information, write to the local chamber of commerce concerned.





## Patent proposal poses major dilemma, executive explains

few years. Let me illustrate. For success we need consumer demand. This means more than numbers of people. It means people with wants to be satisfied and purchasing power to buy.

It seems clear that we will have enough people forming and furnishing new households. One estimate is that, in the final half of this decade, the formation of households will be double the current rate.

They will be well educated people, receptive to new products. They will have purchasing power and credit to add to buying power.

As added insurance of adequate demand, industry will be doing market research to discover the human needs to be satisfied. New product research will be aimed at fulfilling these needs and advertising will promote rapid acceptance.

**You mention consumer demand. How about production?**

Businessmen are learning to be much smarter suppliers. Increased productivity through automation is well known. What is less well known is industry's success in reducing the wild fluctuations of supply. Improved production scheduling and inventory control are going a long way to moderate the business cycle.

**What will happen to profits?**

Profits are not moving ahead relative to the additional capital invested.

Let's look at our company, for example. Since 1950 we've boosted our total assets more than 300 per cent. Profits have gone up only about half that much. Our company is perhaps well above average in this respect. Think what would have happened to profits if we hadn't increased our investment.

Let me put return on investment in perspective another way. Our total assets in 1950 amounted to \$939 for each \$100 of after-tax profits we were able to make. We've had to boost our total assets to more than \$1,600 for each \$100 of profit we make now.

This shows a trend common to all business operations. It means businessmen must continually boost

investment in order to show any profit at all.

**How about profits as a percentage of sales?**

The same trend shows up.

We had to sell \$936 worth of goods to make \$100 of profit in 1950. Now we have to make sales above \$1,300 for each \$100 of profit.

This clearly illustrates the profit squeeze. It's true that our total dollars are higher today—but they're shrinking relative both to total investment and total sales. If new investment were not increased and sales volume not boosted significantly, profits would dry up and the incentive to stay in business would soon be choked off.

**What other major problems do you see?**

An important problem is overcapacity. The real answer to this is an economy that is expanding brilliantly instead of moderately. We can give momentum to expansion, as I mentioned, through the development of major new products.

But it's getting tougher all the time to benefit from product development.

By this I mean it is growing harder to reap what used to be an innovator's reward.

**Don't patents afford adequate protection?**

Often they do not. Let's take a case where a company tries to protect investment in a product by putting together an integrated system which goes, in parts of our industry, from the ground to the finished consumer product. There is always the worry that someone in Washington will think poorly of the move.

This is a major dilemma.

We can only afford to develop new products if we have some hope of an exclusive position on a portion of them through lead time, market franchise, or patents which results in a respectable profit.

Actions such as that proposed in Congress for drug patents which would destroy patents after three years would weaken the patent system severely.

But that proposal applies only to drugs.

It still should be of extreme concern to all businessmen. This would be a severe erosion of basic rights. Once you begin tampering with the patent system, it's easy to expand the changes to other industries.

We don't ask any special favors. We simply ask that basic rights of patent protection be maintained. The innovator must have time to benefit from his investment in time, money and ingenuity.

Such a law would slow down the entire scientific effort. It's a statistical fact that no inventions are coming out of countries that afford no patent protection. For example, Italy doesn't permit drug patents and it makes no significant contribution in this area.

**Can you give examples of other rights that are in danger?**

I feel that the government is taking too arbitrary a stand on some of these merger cases. The government seems to be more afraid of bigness than of truly hurting the consumer.

**What leads to bigness?**

Efficiency, mainly. American ingenuity is a prime factor in our whole system—being able to produce and distribute cheaply.

The benefits of efficiency in business are shared three ways: by consumers in the form of better and cheaper products; by the companies in the form of profit improvement; and by workers through good wages.

None should benefit at the expense of another. I agree, of course, that bigness should not be achieved at the expense of the consumer. But I do not believe it is.

The right to become more efficient and to grow is a basic concept of business. It's fundamental free enterprise.

**Do consumers benefit from efficiency?**

There is specific value in putting things together in certain ways. Our people use the term "synergism." An example would be the action of mixing certain drugs wherein the total effect is greater than the independent actions of the ingredients would be separately.

We apply this term to our system of research. About a third of the company's research effort is centered in a new \$10 million-plus research center which we have just opened. By having many phases of research located side by side the company benefits through syner-





## MONY sticks a pin into "ballooning" Major Medical costs

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MUTUAL OF NEW YORK

**When it comes to employee benefits... MONY KNOWS.**  
THE MUTUAL LIFE INSURANCE COMPANY OF NEW YORK, NEW YORK, NEW YORK.



## INTERFERENCE

*continued*

gistic achievement—meaning that the total effect of this kind of research is greater than it would be if the scientific effort were scattered.

Synergism in research is a fringe benefit of company size. We're able to put such an organization together whereas smaller firms could not afford such an expensive operation. This, I think, is a good example showing how consumers can benefit from large, efficient operations.

### How big is your company?

Monsanto is the third largest chemical company in the U.S. (following du Pont and Union Carbide) in terms of sales. It's among the 50 largest industrial firms.

But I want to point out that we have not always been big. This is strictly an example of small business growing up.

### When and how was the firm started?

The firm was started by John Francis Queeny in 1901. He had been a successful drug company purchasing agent. He launched the company with an idea, with \$1,500 of his own savings, his wife's name—Olga Monsanto Queeny—and \$3,500 invested by others.

This company made its first profit after three years of operation.

Today the company has 83,000 shareowners, 35,000 employees. In the U.S. we have 23 plants, 10 laboratories, 27 sales offices, and we have interests in seven major subsidiary and associate companies. We also have manufacturing interests in 11 foreign countries and sales offices in the principal cities of the free world.

### What is your total investment?

Our company had total assets of \$249.8 million in 1950. To grow, to continue making profits we've had to increase assets to \$1.1 billion.

### You are devoting larger sums to research?

We've stepped up our annual research, development and engineering expenditure nearly 600 per cent since 1950.

Research spending is higher partly because research is more expensive. But it's necessary to improve what we have and to create what we don't have. We firmly believe that our growth depends on

research. Our aim is to make our processes obsolete before our competitors do.

### How did you grow this big?

By applying specific principles of free enterprise.

Our company is young in industrial history. We have efficient processes. We are research-minded and do not oppose change. We think of change as normal and necessary. We have exceptional people in all phases of the industry's operations.

Look at another measure of growth. When I joined the com-



*Government must restore business incentives, Mr. Sommer believes*

pany in 1934 the firm had sales of about \$15 million. We've just finished a year with more than \$900 million in sales. We've made a really big jump since 1950 when our sales were \$248.9 million.

How does this happen? Hard work by a great many people. Still, we're young enough that the son of our founder is still active with the firm. Edgar M. Queeny, who headed the firm for many years, is chairman of the finance committee.

### Do you think there is an antibusiness attitude among the people in government?

I don't think they realize it, but there is one.

I've heard some of the top officials talk. Their attitude seems to be that business is doing something wrong and government is not going to let them get away with it.

We have many people in government who do understand business. But I think there is a lack of under-

standing by government people as to what business really is, what makes it tick, what motivates it.

Businessmen largely are honest, dedicated people who have only one thing in mind—to make their companies stronger and make America a better country.

But so many attitudes, so many moves and directions that Washington takes would indicate that mistakes a few have made are prevalent in business.

### Is tax reform badly needed?

There certainly should be some changes—some clarification, some reduction aimed at improving individual and business incentives. On a world-wide basis our competitive position is impaired. Tax reform is needed to strengthen our competitive capabilities.

### What is the best thing government could do to help business?

Restore the incentive for growth.

Systems of taxation should encourage spending for new product research and investment in new plant and equipment. Tariffs and foreign aid programs should not be designed to retard the growth of American industry. The people from whom the risk capital for expansion must come should not be discouraged by double taxation.

Growth through acquisitions should not be viewed as intrinsically evil.

In addition, our allowable depreciation simply is not adequate to take care of rapid obsolescence.

### What is the outlook for solutions to these problems?

In the short term, it's rather bleak. The problems are just being brought into clear focus. For the longer term, I am optimistic.

I think the government will realize that the incentive to do research and invest in production facilities is being suppressed in a variety of ways, even though we urgently need new products to insure an expanding economy.

Also let's not always put everything on the government's doorstep.

Equal responsibility must be shared by men in government—as well as individual citizens—for becoming more knowledgeable. We need a broader understanding of the freedom to plan and act which made America great.

Beyond that, the most potent force shaping the business future lies in the combined capabilities of individual businessmen in develop-



ing fully the opportunities that lie ahead.

**Do you foresee other major business problems?**

We talked about overcapacity and the need for some protection in new products which we develop.

Then, of course, the matter of pricing is paramount. We have to have an adequate profit—or the whole machine grinds to a halt. This is so basic I wonder why we have to keep saying it.

We want to increase productivity. We're doing this by building highly efficient plants. But we have to accept higher break-even points in the process. Still we simply cannot pass up the chance to increase productivity.

Another major problem is this country's difficulty in competing in world markets. The spread between U. S. and foreign wage rates exerts quite a pressure on us to boost productivity. We can compete if we can get efficiency up.

The solution rests on the building of better processes and on the cooperation of labor. If labor truly shares the problem with management, we can afford high wage rates and fringe costs and still compete, and the economy can expand.

**How do you assess the opportunities for your industry in the years ahead?**

Excellent. We're a young industry.

We're affected, of course, by most of the problems of all American industry—too much capacity, price weakness, high break-even points, foreign competition, shriveling profit margins, difficulty of protecting innovations. But we have some real advantages.

First, we have fairly efficient plants and processes. Our investment per employe is quite high—just over \$26,000. We are willing to scrap and improve an efficient process in favor of a better one.

Second, we are research-minded. Change is normal and necessary. When we find a better way of doing something we're ready to move.

Third, we select our people well, train them, use them well and provide them with suitable tools and incentives.

Fourth, we've just begun an era of consumer acceptance for many of our products such as plastics and chemical fibers. Our selling job is effective.

Fifth, and perhaps most important, the industry knows what its problems are. None of these problems remains hidden. **END**

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# WORLD BUSINESS: HOW IT AFFECTS YOU

ANOTHER IN A SERIES OF SPECIAL REPORTS BY THE ECONOMIST INTELLIGENCE UNIT OF LONDON, WORLD'S LARGEST PRIVATE INTERNATIONAL ECONOMIC REPORTING ORGANIZATION

## EUROPE'S MARKET INVITES A HARDER SELL

HOW MUCH U. S. companies sell to the Common Market this year will depend on how hard they sell.

American exports to the booming European trade bloc in 1961 rose about six per cent above the 1960 total of nearly \$3.4 billion. For firms owning plants in Europe the increase in business and earnings was higher.

Prospects for 1962 are bright for all Common Market countries, with the possible exception of Holland, which may show a slower expansion rate because of an acute labor shortage at a time when the workweek has been shortened and other internal stresses are operating.

Although tariffs inside the Common Market were further reduced last month, opportunities for American exporters are good. Consumer spending in the Common Market is surging and new plant is rapidly being added.

The pickup in the U. S. economy will stimulate exports by Common Market countries to the United States this year.

AMERICAN BUSINESSMEN will want to watch the attitude toward the United States of a Common Market enlarged by the addition of Britain and Denmark, and associated with Norway and Ireland.

From the current shape of negotiations between Britain and the Market it seems unlikely that the present trend toward increased agricultural protection in Europe will be reversed.



EUR. ECO. COMM.  
*Brussels cars with "European" tags show move toward unity*

Common Market members have had difficulty agreeing on a common policy for agriculture, and they have made no move toward liberalizing this policy in a way that would allow the United States to continue to sell grain to Europe on the present scale. Efforts of Secretary of Agriculture Orville Freeman to change the emphasis of this policy have had no visible effect.

Progress in negotiations with the Common Market has been limited to acceptance by Britain of its essential tariff features and agreement on how other problems should be tackled. So far the major issues have not been discussed.

Britain, for its part, thinks the Common Market understands that she must maintain special economic relationships with the Commonwealth, while the original members believe Britain accepts the need to fit Commonwealth requirements into a framework excluding special relationships. In coming months these differences will make progress much more difficult than before.

THE UNITED STATES has responded to developments in Europe by radically reappraising its

foreign economic policy. The approach now being advocated by President Kennedy sprang in part from the danger of a breakdown in meetings under the General Agreement on Tariffs and Trade. The Common Market threatened to withdraw its offer to reduce tariffs by 20 per cent across the board in the absence of a similar offer by the United States.

On Jan. 16, after talks between the Common Market and Howard Petersen, the President's special representative, a settlement was reached.

The Common Market accepted an item-by-item reduction by the U. S. and will uphold its own offer except for a few items. Full details are not yet available but the effects clearly will be to improve the competitive position of European ex-



EUR. ECO. COMM.  
*Loading medicine in Holland: Dutch face a worker shortage*

ports to the U. S. and those of the U. S. to Europe.

This agreement may strengthen the President's hand in pushing his new trade policy through Congress. If the United States is to make more sweeping reductions in its own duties, to obtain lower tariffs in Europe, the Reciprocal Trade Agreements Act must either be changed or replaced by a new measure. The Act expires June 30.



For American businessmen all this will mean more competition from Europe, and possibly some form of government aid in cases of hardship. But, in the long run, it should mean that the doors of the world's markets and of the Common Market are opened wide to exports from the United States.

## NEW BUSINESS OPPORTUNITIES IN OUR HEMISPHERE

EUROPE HAS NO MONOPOLY on common markets. Other potentially important ones are shaping up—and it's in your best interest to know where they are and what they involve.

In Latin America, for example, economic integration is an aim of

to spend \$20 billion over the next ten years for basic development: \$11 billion from the U. S. government, and an additional \$3 billion from private U. S. investors.

The General Treaty of Central American Integration is the most recent move toward the common aim in the small republics between Mexico and Colombia.

It has been signed by Guatemala, El Salvador, Honduras, and Nicaragua. Costa Rica has held aloof so far but since it signed the 1958 Multilateral Treaty of Free Trade and Central American Integration it probably will later accede to the General Treaty. Panama is a special case. It has canal wealth, a good position for transshipping trade, and may stay out of the regional bloc.

Within five years, look for the first five countries to form a Common Market of 12 million people increasing at the highest rate of population growth in Latin America—more than three per cent a year. It will be a genuine common market, with a common external tariff, and completely free trade among the members. The common external tariff will be high on products which compete with those made in the area. As soon as a factory is opened in any one of the countries, all will raise external tariffs against outside supplies of the product which that plant turns out.

Keep in mind that Central America is not a large, nor yet a rich market. National per capita income in the five countries is among the lowest in the world. Their combined population is only about the same as that of Peru, and their imports—some \$500 million a



MAGNUM

*Construction in Chile: Big growth will come in the '70s*

the Punta del Este Charter and Declaration. This formalizes the Alliance for Progress, under which the Latin American countries are

## GLOBAL TRADE TRENDS

World trade is rising . . . North of the border Canada's economy is pulling out of the doldrums; in the southern countries of the Western Hemisphere export earnings may not be buoyant, but U. S. aid is mounting, spurring trade . . . Exporters of capital equipment should note new development plans imminent in Nigeria, Malaya, Sudan . . . Can you envision an enterprise set up now

in newly independent Tanganyika eventually serving an East African Common Market? . . . Singapore could be a good springboard into the market of proposed Greater Malaysia . . . Libya, a new oil exporter, is a country to watch . . . Japan has exploited the U.S. market; now it is opening its own doors wider to foreign suppliers; step in with specialized machinery and know-how.



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BEHIND  
THE  
PLAY  
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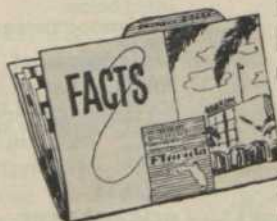
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*Farris Bryant*  
Governor

## WORLD BUSINESS: HOW IT AFFECTS YOU

*continued*

year—are only about the same as those of Colombia.

THE LATIN AMERICAN Free Trade Area (LAFTA) now comprises all the South American countries except Venezuela, Bolivia, and the Guianas. Mexico is also a member. The people of the nine member countries number 163 million, and they import \$5.6 billion worth of goods a year—a figure which they have been trying to hold down by manufacturing more of their needs themselves.

Mexico, Argentina, and Brazil already are significant manufacturing countries, but industry has been built up behind tariff walls. Under conditions of free international trade, few of these industries could compete in their own markets, let alone in other LAFTA countries, with the U. S. or Europe. In a LAFTA with high external barriers lies these countries' principal hope of exporting manufactures.

Trade between LAFTA members now is small—less than 10 per cent of total trade against 50 per cent in Western Europe—and confined largely to primary products. This will take many years to change in an area not noted for cooperation.

The whole transport system, for example, is geared to serve overseas rather than intracontinental trade, and communications between the countries are in most cases inadequate. The Andes present a formidable barrier to commerce between the east and west coasts; Mexico is separated from its nearest LAFTA neighbor by 900 miles or more.

In these circumstances the free trade proposals themselves are highly tentative, and much will depend upon the spirit in which the treaty is interpreted.

INCOMES PER CAPITA in LAFTA are only one seventh those of the United States. Antiquated land tenure and deficient tax systems have been instrumental in retarding the growth of wealth on a broad front. The Alliance for Progress aims to overcome this and the outpouring of



money could help lead the LAFTA countries to greater prosperity and economic cooperation. But the ten years of the present Alliance program are not likely to do more than lay the foundations for rapid, self-sustained growth. It is only from 1970 on, therefore, that with political stability and the good use of funds economic integration will really begin and trade start to grow rapidly.

WHAT WILL LAFTA mean in practical terms to the U. S. exporter?

Perhaps not much at first. Nearly all LAFTA countries already restrict imports largely to raw materials, food, and capital goods and this policy is not likely to change. However, if investment gets under way the market for capital goods should grow and U. S. firms already established in the area should benefit from the growth of intra-LAFTA trade.

For those who export to Central America, on the other hand, the advent of a Common Market there could make a considerable difference: The pattern of imports is likely to become more like that of the South American countries—raw materials, food, and capital goods rather than finished manufactures.

If you are thinking of setting up manufacturing facilities, the Central American market could show good rewards if you make simpler types of consumer goods. You might even get something akin to a monopoly. There will be investment opportunities in LAFTA, too; perhaps in the next few years no more immediately attractive than in the recent past, but holding rich promise for the future.

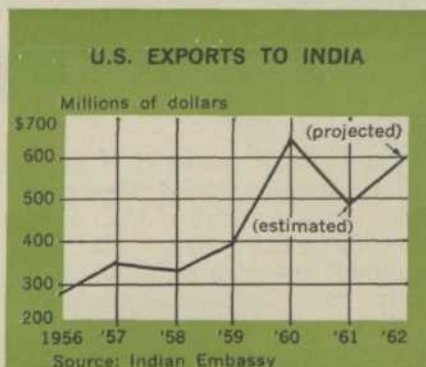
## INDIA OFFERS GROWING MARKETS, LURES INVESTMENT

INDIA'S SHORTAGE of foreign exchange is giving the American exporter the edge over his competitors in this subcontinental market of 440 million people.

The reason: American aid, particularly Development Loan Fund loans. Between mid-1958 and mid-1961 the DLF and the Export-Import Bank granted major loans—mainly for imports of steel and capital equipment—totaling \$126

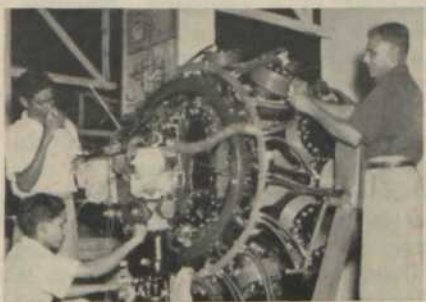
million, and the United States has promised another \$1 billion to March 1963.

Indian manufacturers applying for import licenses are being asked to divert trade to the U. S. In a period of drastic import cuts, American exports to India are rising faster than those of any major supplier except Japan. In the first half of 1961—leaving out food and



agricultural raw materials—they approached \$136 million, nearly a quarter more than in the same months of 1960. The Third Five Year Plan (which started April, 1961) will reinforce the demand for a wide range of imported machinery and chemicals.

This, then, is a growing market—at least for the U. S. exporter—and with little financial risks. If the Indian government can make it so, it is going to be a simpler market to deal in. Steps are being taken to reduce procedural delays in the issuance of import licenses by decentralizing authority.



*Repairs at Bangalore: India is good market for machinery*

INDIA'S GREATEST CONCERN is with investment and know-how that will raise the country's desperately inadequate export potential.

The far-sighted American investor has not overlooked this point. In the 18 months from January 1960 through June 1961 no fewer than 100 collaboration agreements between American and Indian firms were approved. The United States thus stands third in



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# WORLD BUSINESS: HOW IT AFFECTS YOU

(continued)

the list of foreign collaborators after Britain (189 agreements in the 18 months) and West Germany (113).

The 23 most recent U. S. agreements cover a wide field. They range from cement (Fuller Co., Pennsylvania), to transistors (R.C.A.), synthetic resins (Reichhold Chemicals, Inc.), paper machinery (Black-Clawson and Parsons & Whittemore) and industrial air conditioning (Worthington Corp.).

THE U.S. INVESTOR apparently is overcoming his misgivings about the wisdom of risking capital in a country with a government of avowedly socialistic principles. But the Indian government, too, is becoming increasingly aware of the need to woo the foreign investor if the economy is to grow.

The foreigner may still not set up a wholly owned subsidiary nor is he—except in rare cases where he has very special know-how or can offer a tempting stake in export markets—permitted a majority interest in a company. Nonetheless, a wide and attractive range of collaboration arrangements is open to him.

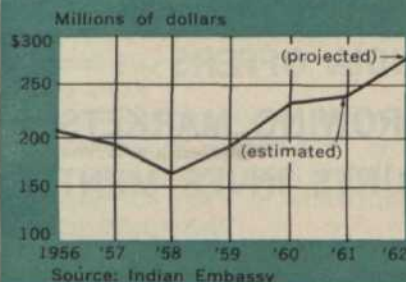
In addition to capital participation usually related to the foreign exchange cost of imported machinery and averaging 10 per cent to 20 per cent, he may ask for royalty payments (the permitted range being from one per cent to five per cent net of tax, except where specialized knowledge is offered) or technical services fee payments, which are tax-exempt. Each investor must bargain for his own terms. If you are a wily negotiator you will offer a share in export markets, or you will agree to allow some of the capital to be raised by public subscription. The latter is a factor which can operate very much to your advantage, since you may find yourself the largest single shareholder and thus in a position to control the company's operations.

To help the foreign investor India has set up the Indian Investment Center at Delhi, which has already opened an office in the United States. The Center advises on conditions, laws, policies and procedures relating to investment in India and maintains close liaison with relevant government departments and with Indian enterprises seeking collaboration agreements.

DON'T OVERLOOK the sizable financial rewards of investment in India.

In the past fiscal year, of 15 major engineering companies only four registered an increase in sales of less than 15 per cent, for three the increase was more than 50 per cent and six showed rises ranging from 20 per cent to 50 per cent. Three units more than doubled their profits, seven raised them by between 25 per cent and 76 per cent. In the textile industry, too, profits rose sharply and chemical concerns, though achieving less spectacular results, showed profit increases ranging from 14 per cent to 40 per cent.

### INDIA'S EXPORTS TO U.S.



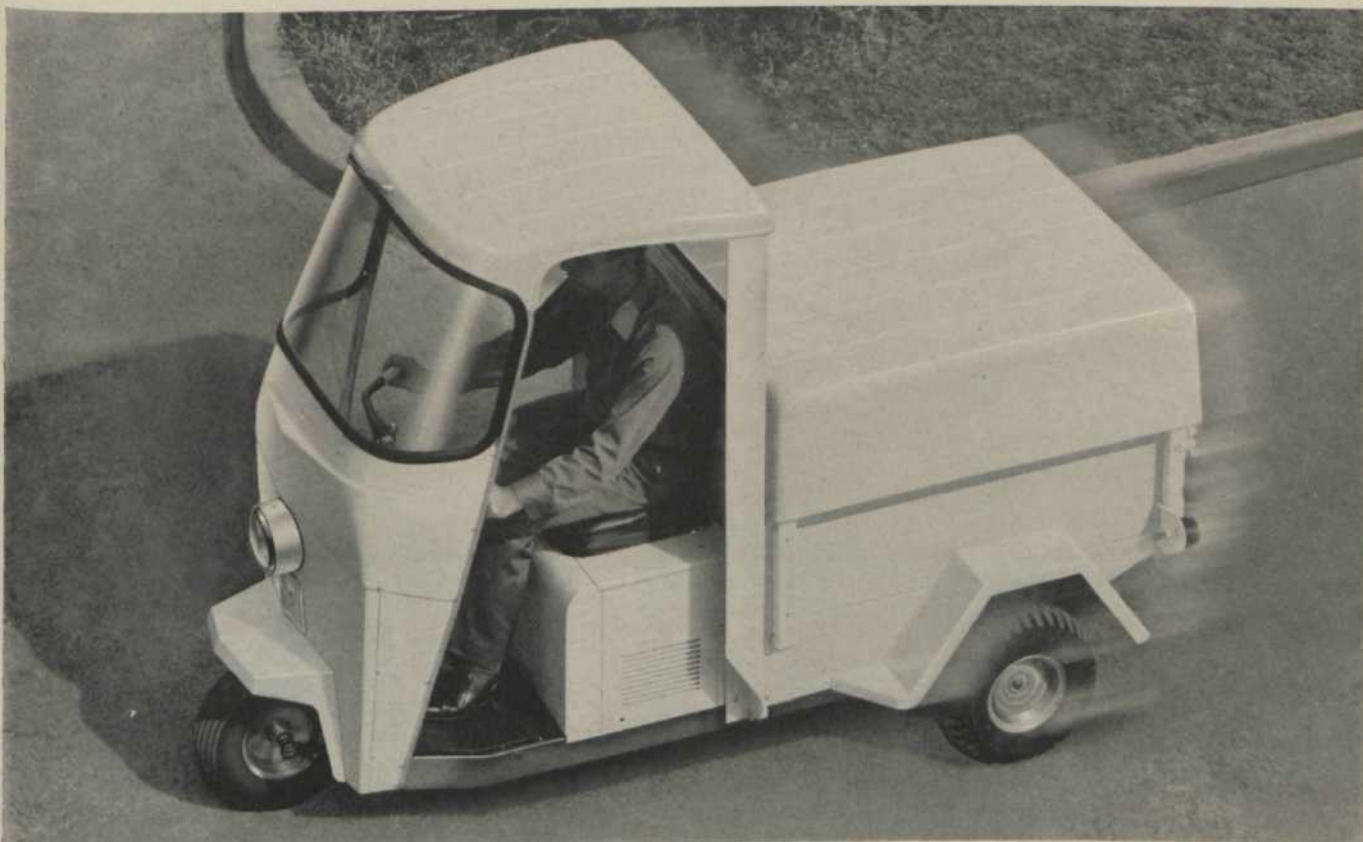
Income earned by nonresidents on their investments in India is freely transferable, provided that tax liability has been met. The United States and India have an agreement on the avoidance of double taxation.

END



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## SPECIAL LETTER

### NATION'S BUSINESS EDITORS REPORT ON: The shrinking dollar

**A 25-cent dollar** could become a reality before you know it.

This gloomy prospect is stirring new concern—even alarm—in many areas of Washington officialdom.

Inflation, as measured by the usual indexes, appears quieted for the moment. The consumer price index, for example, is inching upward only a fractional notch at a time.

But the stage is set for a new thinning of the dollar's value.

\* \* \*

**Significant is the fact** that even politicians who have scoffed at inflation dangers in the past now are joining the ranks of the worried—worrying perhaps, in some instances, not so much from fear of inflation itself as from fear of political consequences that it could provoke.

\* \* \*

**It is primarily fear** of inflation which has prompted the Administration to propose a balanced federal budget for the fiscal year that begins next summer.

This, in its way, is recognition of the economic reality that repeated federal deficits are a major cause of inflation.

A noteworthy contradiction is the probability that the proposed balance will not materialize. Government appears to be counting too heavily on prosperity to produce the needed revenue. The balance hinges precariously on the requirement that certain legislation be approved and other proposals in Congress be disallowed.

\* \* \*

**There are different ways** of computing the declining purchasing power of the



U. S. dollar. None of them produces a very pleasing end result.

Example: We already have a 28-cent dollar, compared with the value at the beginning of this century.

It's a short skid down to 25 cents.

Take any period you like. The shrinking value of the dollar is strikingly evident.

An executive today needs more than \$26,000 income to achieve the same buying power he had, after taxes, with a \$10,000 income before World War II.

A National Industrial Conference Board study shows what is happening to other income groups. A \$25,000-a-year executive in 1939 had as much buying power as one in the \$78,000 bracket today. A \$50,000-a-year man then needs roughly \$175,000 income today. Today's executive with roughly \$370,000 income can buy only what \$100,000, after taxes, would buy 23 years ago.

\* \* \*

**Look at the future** and you see the onrushing currents of similar inflation.

Why?

Deficit spending by government is a major drain on the dollar's buying power. Red-ledger spending by government is not ended. The budget balance proposed by President Kennedy for fiscal '63 is achieved by lifting expenditures to a higher peacetime level than ever before—and putting the lid on spending at that level only because economic advisers tell the President he can anticipate that much revenue. This is clearly an application of Parkinson's Second Law—that expenditures rise to keep pace with increasing revenue.

\* \* \*

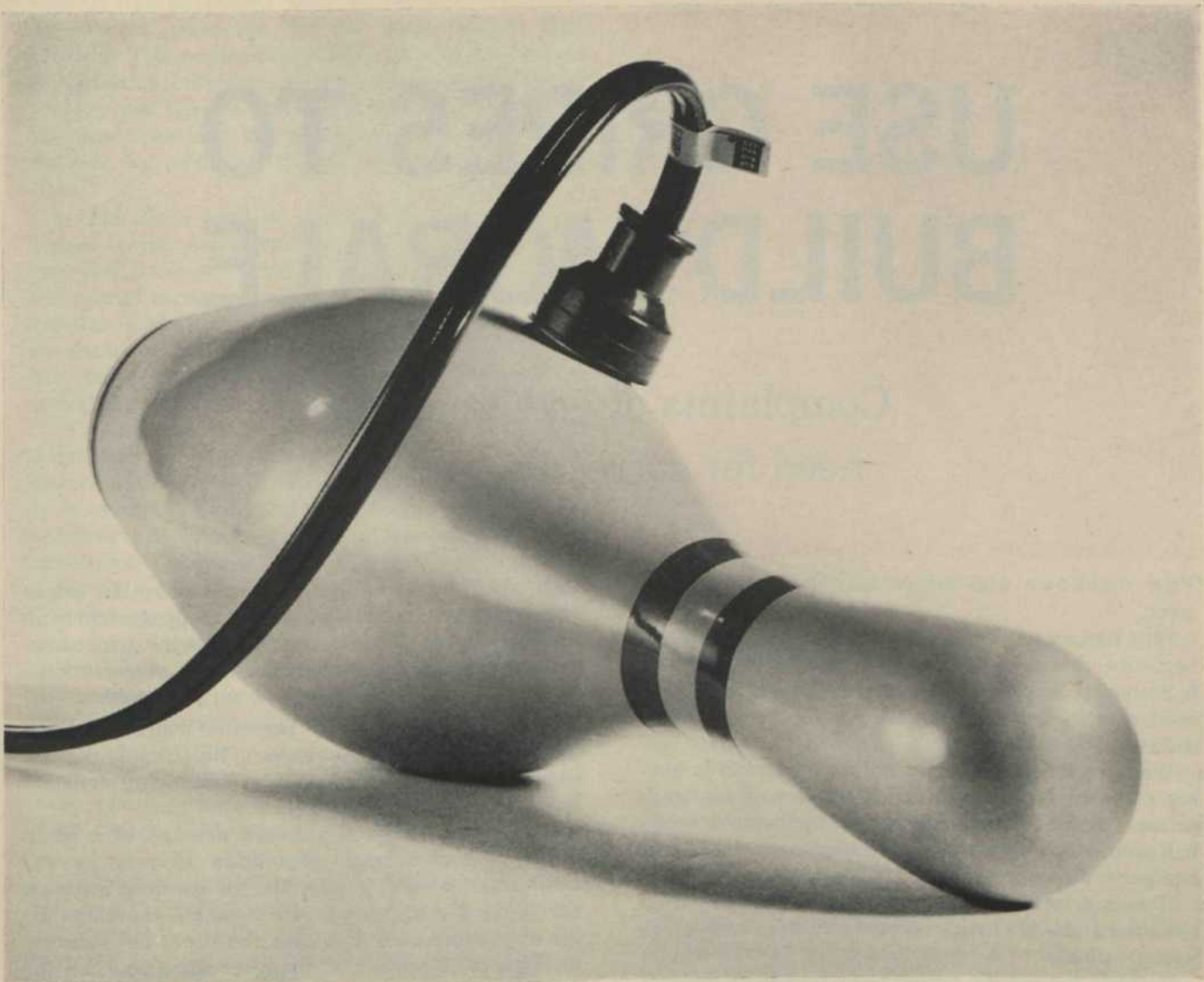
**The creeping character** of today's inflation hides the economic reality that tomorrow's groceries will cost more.

Inflation is like a bucket of water. You can dip out the water. But a slow leak also empties the bucket.

Americans can be lulled into believing that inflation, on the whole, is not a bad thing, that in fact it is something they can live with.

The devastating nature of creeping inflation is shown by this statistic: Just two per cent a year, during a man's average working life of 45 years, will wash away more than half the purchasing power of his money.





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#5 in a series published by National Wiring Bureau, 155 E. 44 St., New York 17, a non-profit organization dedicated to better understanding and utilization of the benefits of electricity.

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# USE GRIPEs TO BUILD MORALE

Complaints often signal the need for corrective action

THE EMPLOYEE who gripes may be doing you a favor.

"It's human nature to gripe," says Gerald F. Gamber, vice president-personnel of American Radiator & Standard Sanitary Corporation. "But gripes are a good sign that something needs to be done within a company."

Whether the gripe means only that a man is having personal problems which are affecting his work or represent a serious grievance which might snowball into a full-fledged labor-management dispute, it can serve as a springboard for constructive action.

It was gripes, for instance, that led to improved conditions in a major manufacturing company's western plant.

Because the plant's performance had been unsatisfactory, the company moved in a new manager. Soon letters complaining about the manager began to reach headquarters in such numbers that an investigating team was sent to the plant. One of the members reported:

"We found nothing wrong with the manager. What we did find was that employee morale was shot. They knew the plant had been doing badly and were afraid we might close it down. The mere presence of a new manager intensified this fear. The gripes were a natural result. Although they were misaimed they did lead to an investigation that soon set things right. If we had ignored the gripes, or taken them at face value and fired the manager, we could have had real trouble."

This experience demonstrates the need for evaluating gripes before acting.

Experienced personnel men suggest four steps for this evaluation:

- ▶ Understand the griper.
- ▶ Beat them to the punch if possible.
- ▶ Have a plan for handling gripes.
- ▶ Handle them.

## Who's griping?

Griper fall, broadly, into five categories.

1. The man who gripes simply to needle some one

with whom he works is fairly uncommon. His gripes are directed at his victim, and it is pretty much up to the victim to defend himself unless the gripes happen to disconcert other people in the organization—in which case they become a company problem.

2. More common is the perennial sourpuss. When his weakness is widely known, his complaints are easily shrugged off. But they are annoying nonetheless. They can upset people around him.

One such griper was assistant manager of a small department in a large corporation. Because he was recognized as able, if irascible, his constant grouching was generally dismissed with a laugh—especially by his easy-going boss. But over the years the assistant manager had rubbed so many of his associates the wrong way that they were constantly on edge and often blew up. As a result, the performance of the entire department was far below par.

"The habitual griper may or may not be a pur-





poseful trouble-maker," says Dr. Andrew C. Hilton, director of personnel for the International Telephone & Telegraph Corporation, "but he is certainly an upsetting influence. If he's a man you don't want to lose, you have to straighten him out. At IT&T, if his supervisor and the people around him can't do the job, we refer him to one of our staff psychologists."

3. The third kind of griper is the man who becomes bowed down by his personal problems. He may feel he is not being paid enough, is not receiving proper recognition from the company or his associates, or is not getting the promotions he thinks he deserves. He may be physically disturbed. He may be unstrung by family problems. Whatever the underlying difficulty, he begins to gripe constantly.

"This man must be convinced that he is his own worst enemy," says Mr. Gamber. "He has to be shown that, far from helping himself by complaining, he is becoming an aggravation. If his complaints are legitimate, of course, it is up to the company to do something. Otherwise we try to get the people he works with to take him over."

4. Women gripe more than men and older women gripe more than younger ones. But both young women and young men are frequently troublesome when they are starting in business.

From the standpoint of occupation, it is generally agreed that scientists are by far the worst gripers. Then come engineers and financial men. People who make many outside contacts—salesmen and advertising people, for example—rank at the bottom of the list.

5. The most important griper is produced by the company itself. He complains against the conditions under which he works. Many of his gripes are bona fide and can and should be turned to the good of the company.

Some years ago, for instance, a New England manufacturer suddenly began to receive complaints about a cracked patch of floor on an assembly line. The plant manager had been aware of this and did not consider it dangerous. He had, however, wanted for some time to make major changes in the company's safety program. He used the repaving of the floor as an excuse to install other needed safety measures.

Because he had answered their complaint, the workers accepted the changes without the hesitation and criticism previously accorded similar measures.

One personnel man reports further that the way workers are spaced in an office or plant seems to affect the number of gripes. The most vocal workers in his plant are the highest paid and have the newest, air-conditioned room in which to work.

"But," he says, "they're packed in too close together. We don't get half as many gripes from workers who are less well paid and housed but are strung out along an assembly line."

#### Beat them to it

Much griping can be prevented by soliciting criticism. Asking an employe what he thinks is wrong with the company or how it can be improved not only gives him a chance to let off steam before it



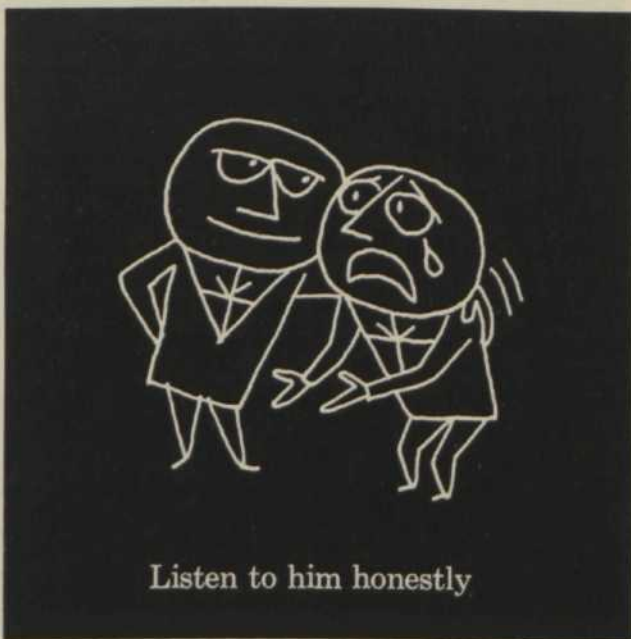
builds up pressure but also increases his self-respect and makes him feel needed.

It is hard for many people to get a gripe out of their systems. They let it fester. They get more and more annoyed with the company and after a while they quit. Much labor turnover can be blamed on small, unspoken gripes.

Pitney-Bowes, Inc., has avoided labor difficulties, held on to its employes and developed a high morale largely because of its communications program, which ranges from active use of bulletin boards to a series of unusual jobholder meetings held annually at the time of the stockholders' meeting.

The philosophy behind the program is as important as the program itself. Vice President Frederick Bowes, Jr. describes it this way:

"It is top management's task to stimulate com-





munications, not merely to provide the channels and the information. It isn't enough simply to provide the good and right answers to the obvious and expected questions. Somehow, employees must know that their managements genuinely want their questions about the business—and this can't be done by a passive, 'my-door-is-always-open' policy. The business of listening is fully as important as the business of talking and writing."

To this, one plant official adds: "A good two-way communications system helps to explain away a lot of gripes before they arise. The others it brings out where you can deal with them."

"No one likes griping. But gripes simmering in a



washroom are potentially much more dangerous than those out in the open."

## Plan to handle gripes

Grippers tend to take their personal complaints to the personnel department first. This is particularly true of newer employees, who look upon the man who hired them as their best friend.

"Like most companies, we prefer to have the supervisors take first crack at complaints," says John R. Boag, American Standard's manager of personnel services. "For one thing, that's part of their job. Besides, they know the situation and the person or persons involved, and can best handle most of the problems that come up."

"But it's hard to stop people from running to personnel; so obviously we have to maintain an open-door policy, listen to the gripes, try to calm the people down and then send them back to their immediate bosses."

"Get the griper to talk to his supervisor as quickly as possible," says Karl Illigen, plant manager for Chesebrough-Pond's, Inc. "People with minor complaints are quickly mollified if they know that some-

body is willing to listen and believe that something is being done.

"The average worker, you know, is a pretty reasonable person. If you treat his complaint with respect and level with him about what you can or cannot do, he's usually satisfied."

## Handle them

Many gripes seem so trivial and even specious that your normal reaction is to disregard them. But experience indicates that this is usually wrong. What seems trivial to you may be deeply felt by the griper.

"All grievances," Mr. Illigen comments, "stem from little gripes."

In the first place, there is a human tendency to exaggerate a complaint if nothing is done about it. The griper does this unconsciously to justify his position.

In the second place, one griper tends to activate another. One woman starts complaining about a cold draft. Soon another says her chair is too hard. In no time, everyone is angry.

Remember, too, that the things people gripe about may not actually be the things that upset them.

In one company the women in a large clerical crew complained about being asked to work overtime. They said they were compelled to break too many dates. Investigation disclosed, however, that they were really afraid to walk home in the dark through the undesirable neighborhood where the factory was located.

In another company the employees griped about the lack of parking lot spaces. Management quickly found, however, that there was an ample number of spaces.

The real cause of complaint, it developed, was that some employees often had to park too far from the plant entrance. (The company explained why nothing could be done about this, but did give preferential parking to car pools. The griping stopped.)

If workers are too quiet, it may be that something is wrong. So take time to analyze the situation.

Do things seem quiet because you have walled yourself away from your people? It's true that you may no longer have time to go through the factory and office listening for whatever is being said. But if that is the case, it might be a good idea to adopt the IT&T practice of making periodic attitude surveys of your employees.

Have you become too easy-going? This makes for a happy, contented organization, but not for an efficient one. People perform best when they are under some stress. Stress, of course, encourages griping.

Or have you gone in the opposite direction and created a climate that discourages griping? This, personnel men feel, is especially dangerous. For one thing, you don't get the useful ideas that stem from many gripes. More important, labor turnover is stimulated. Worst of all, the roof may suddenly blow off.—STANLEY SCHULER

REPRINTS of "Use Gripes to Build Morale" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.



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# STREAMLINED DEFENSE BUYING CAN HELP YOU

## Pentagon adopts more businesslike approach

TAXPAYERS, BUSINESSMEN, and 2.8 million servicemen are beginning to feel the effects of Defense Department action to unify its supply management.

Taxpayers will benefit from more economical use of military tax dollars.

Streamlined channels should speed supplies to the servicemen.

The Department and businessmen will profit because the new setup may cut purchasing decision time by two thirds.

"Certainly by one half," says Paul H. Riley, the deputy assistant secretary for supply and services.

Three levels of procurement administration—the technical service, general staff, and service secretariat—have been compressed into one.

As a result, a businessman with a problem that cannot be solved in the field can come to Washington and discuss it in one place. Previously he might have had to make trips to the Army, Navy, Marines, Air Force and General Services Administration.

Expected to accomplish all this is the new Defense Supply Agency, established last October after 15 years' urging by business organizations, congressional committees and the Hoover Commission.

The new agency is charged with managing procurement and distribution of certain common supplies and services. It consolidates 12 existing organizations and creates a unified electronics supply center.

Estimates of dollar savings the change will bring vary widely. Defense Secretary Robert S. McNamara predicts "substantial improvement and economy in our logistics management."

Lt. Gen. Andrew T. McNamara (no relation to the Secretary), is head of the new agency. He told Congress he expects \$25 million savings in annual operating expenses and an initial \$200 million inventory

reduction. Under the new supply structure, DSA is primarily the wholesaler of soft goods and secondary items. Each service retains control of the development and management of weapons and related hardware. Each also retains its retail and overseas distribution.

DSA's purchases are expected to total about \$2.7 billion this year and should increase at least five-fold in the future.

This year it will manage 1.8 million items—almost half of the Defense Department's total; a \$3.2 billion inventory; disposal of surplus property that originally cost \$6 billion; \$700,000 for transportation of personnel and property.

DSA is now responsible for food, clothing and textile, medical and dental, petroleum, general (house-keeping), and construction supplies and the Military Traffic Management Agency. It has consolidated the activities of 34 surplus sales offices, and the Armed Forces Supply Support Center (cataloging).

On April 1 it takes over industrial supplies and on July 1 becomes responsible for both electronic and automotive supplies.

### **Broad authority**

The new agency is authorized to determine whether industrial production equipment, chemical supplies and aeronautical spare parts should be under its management. The directive establishing the agency also states that DSA shall be responsible for "the organization, direction, management, administration, and control of such other commodities and services as may be directed by the Secretary of Defense."

The 12 supply and service organizations, now operating in varying degrees, are expected to be in full operation about two years from now.

The Defense Electronics Supply Center is sched-





GEORGE TAMES

Gen. Andrew McNamara, (right) director of military supply agency, discusses his plans with Thomas D. Morris, assistant defense secretary in charge of supply

uled to be fully operational by September 1964. Before that time the agency expects to review 1,020,000 items and reduce this total to 680,000 standard items.

If this can be done on schedule, DSA estimates the center will manage a \$400 million inventory in 1963, increasing to \$500 million in 1964.

DSA's operating expenses are included in the Defense appropriation and a new stock fund finances supplies procured by the agency.

Many businessmen, congressmen and military leaders consider a DSA-type organization long overdue.

The need for thorough reorganization of military supply first received widespread recognition in 1945 as a result of Gen. Brehon B. Somervell's difficulties during World War II in overcoming monumental problems to bring order out of the hodgepodge in the Army logistic system.

A congressional subcommittee that studied the problem in 1953 found a "totally unrealistic concept" in planning and spending by the separate services.

In 1955 the Hoover Commission recommended that "Congress should enact legislation establishing a separate civilian-managed agency, reporting to the Secretary of Defense, to administer common supply and service activities." The Chamber of Commerce

of the United States endorsed the recommendation and pressed for its adoption and implementation.

#### **Single manager system**

The Defense Department insisted that this proposal would mean more paperwork, less efficiency, higher costs, increased duplication. As a substitute, it promulgated a single manager plan for commodities. Eight assignments were made during the next six years, with the Army directing five and the Navy three.

Critics called the single manager concept a fragmentary approach which failed to give adequate authority to each manager, although the Department claimed annual savings of \$24 million.

A 1958 amendment to the Defense Reorganization Act gave the Secretary of Defense authority "to place under one agency or one department any activity common to more than one of the military services."

Then in 1960 the Congressional Joint Economic Committee reported that the Defense Department wasted from \$2 billion to \$3 billion annually and recommended that the Secretary use his broad authority to consolidate common supply activities into a common agency.

Secretary McNamara did so, and DSA, which absorbed the eight single managers, was announced seven months after he took office.

What are the chances that the taxpayer will get more for his military dollar? There are at least five promising ways:

#### **1. Standardization.**

Maj. Gen. Oliver C. Harvey, executive director of DSA's Defense Clothing and Textile Supply Cen-



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## DEFENSE BUYING

continued

ter, points out that "You can't get a correlation of what the separate services are buying until you look at the whole picture under one agency. Then you can see where the duplication is."

This organization was under the single manager system for five years but its executive director had no power to standardize.

"In some cases," a staff member said, "he had to do a public relations job with the services. He had to sell, cajole, ask, beg. It might take him two years to convince the services. In other cases, service receptiveness was fine."

The staff looks forward to "a tremendous standardization impact" due to DSA urging executive directors to make on-the-spot decisions.

Potentialities for standardization in clothing and textiles, with expenditures estimated at from \$300 million to \$350 million in 1962 and 1963, are unlimited. Four years ago 88 per cent of 32,000 items were used by only one service; today it is 75 per cent of 28,000 items. A recent step was to reduce the number of frocks for meat cutters from four to one.

The Defense Industrial Supply Center has eliminated 600 paint items even before it comes under the agency's control.

### 2. Inventory reduction.

The Defense Department claimed that the single manager system cut inventories by 27 per cent during a three-year period compared with 19 per cent for nonunified supply organizations. One-time savings, largely resulted from inventory reduction, were said to total more than \$545 million.

DSA officials anticipate further substantial reduction although they don't expect the "dramatic rate of recent years" to continue.

### 3. Personnel reduction.

DSA expects to operate with fewer personnel than were formerly employed by its components.

While officials are cautious about playing this numbers game, the goal is to function with 23,000 employees in July 1963 compared with 26,290 now. If this materializes, and Secretary McNamara has established personnel controls aimed at its success, the annual saving is estimated at \$18 million.

Most of DSA's manpower is civilian, but representatives of the four services are assigned throughout

the agency. The director is an Army general, the deputy director is an admiral, and civilians hold three key jobs—counsel, comptroller, manpower.

### 4. Increased use of computers.

The Defense Petroleum Supply Center, now part of DSA, began evaluating jet fuel bids and determining contract awards with computers a year ago and claimed a \$5 million annual saving compared with manual solution.

The system is being extended to aviation gasoline and lubricating oil. A similar system is being tested for food bids and awards.

Among the improvements claimed are reducing solution time from seven to five weeks, with three weeks considered possible; allowing industry to submit bids closer to delivery time; accepting last minute changes in input; and, a guaranteed least-cost award and distribution pattern.

### 5. Reducing duplicate, triplicate and quadruplicate procurement.

The records of the Congressional Joint Economic Committee are crowded with documentation of cases where the services bought similar items individually, each paying considerably more per item than a consolidated purchase would have cost.

Mr. Riley says the opportunities for concurrent buying ought to be reduced whenever several procurement organizations are consolidated.

### Quick decisions

What changes are ahead for defense contractors?

DSA is expected to advance a general attitude toward business of competitiveness, not size; capability, not power; decentralization under centralized management; quality control by producers; qualified manufacturer's lists.

"The basic concept of the organization is to decentralize to the maximum practicable extent," General McNamara says.

"There will be greater authority in the field and many things that previously trickled to Washington will be decided there.

"However, if a problem comes to me, I'll make a decision within a week after it lands on my desk."

Among the actions requiring higher review or approval are: negotiations of research and development, classified, and industrial mobilization contracts; contracting protests by officers on certificates of competence issued by the Small Business Administration; matters relating to fraud, criminal conduct,



suspension, debarment; matters pertaining to discrimination in employment by contractors; protests regarding practices designed to eliminate competition or restrain trade; protests after award.

Until DSA, all these cases slogged through several administrative layers in Washington. Now, some go directly to DSA for decision, some go to DSA and then directly to the review or appeal body.

Streamlining channels enables congressional queries to go directly to the agency's divisions instead of passing through at least four administrative layers.

"There will be more responsiveness to business," a legal official says. "Where a matter might have taken, say, three months to decide, now it might take only 24 hours with a phone call.

"DSA should also help the businessman because he'll know exactly where his case is. Previously he might convince one level about the merits of his case only to find it had moved to another level. He'll have fewer people to convince."

One of DSA's aims is to get more quality control stipulations written into contracts. Hitherto the approach by buyers varied—sometimes quality control by manufacturers was mandatory, sometimes voluntary, often none was required.

"Quality control policies accent contractor responsibility," a Defense official said. "They are based on the concept that the contractor must establish proof that his production processes are properly controlled and that his product satisfies Department requirements."

DSA will also emphasize qualified manufacturer lists in a continued effort to minimize contract delinquencies.

#### **More military strength**

How could DSA strengthen national security?

Savings made by the new agency can be used to increase the number of missiles, planes, guns, tanks and combat troops, and hence increase the efficiency of the armed services.

Defense officials are confident that another benefit will be quick reaction time getting common supplies to field forces.

General McNamara cites a recent incident to exemplify the responsive energy of his agency:

Because of political developments in a foreign country an aircraft carrier was ordered to sea as fast as possible from Mayport, Fla. The officer-in-charge of the nearby Jacksonville food office was informed

about 2 p.m. on Saturday that the ship would need 60,000 pounds of frozen food and 60,000 pounds of fresh produce before midnight. The produce market, trucking company and cold storage plant were closed.

The officer contacted management personnel, employees were notified, purchasing agents were sent to the market. In about five hours, the ship got everything required except for a few hundred pounds of rabbit and a small quantity of lamb loins.

Over-all success of DSA is enhanced by these factors: Secretary McNamara, General McNamara, congressional support, enthusiasm of the majority of officers, and business support.

The crucial role of the two McNamaras was pinpointed by Gen. Robert E. Wood, former Quarter-

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**Your credit sales  
will be regulated by  
the federal government  
if bill before Congress  
becomes law. Effect is  
explained on page 38**

---

master General of the Army, former president and chairman of the board of Sears, Roebuck & Co., and now a director. He was a member of the Hoover Commission's defense committee that recommended procurement be consolidated.

General Wood has said he is "very much in favor" of DSA, but "its success will depend on its backing by the Secretary of Defense and the type of man who heads it."

If the agency is to be successful, the Comptroller General of the U. S. says it must be vested with decision-making authority.

The Secretary has placed DSA's director in a unique position—on a level with the service secretaries and the Joint Chiefs of Staff. General McNamara reports directly to Secretary McNamara; they meet at least once a week.

The general, wise in the ways of Washington convolutions after 14 years in the capital, including four as Quartermaster General of the Army, appears certain of his authority ("I take my orders straight from Mr. McNamara") and knows how to use it ("I'll probably have to step on some toes").

Soon after he assumed command, the general had to decide among

three differing proposals by the services for a common belt buckle. He chose the plainest and cheapest.

"And make them all black," he ordered.

"But, general," an aide said, "no one has asked for a black buckle."

"Tell them," he replied, "that if they don't want me to make this kind of decision, they should make the decisions themselves."

The use of firm and forthright authority in defense supply is strongly supported by four legislators active in exposing military waste. They are House Speaker John W. McCormack, Rep. F. Edward Hébert (D., La.), Senator Paul H. Douglas (D., Ill.), and Rep. Thomas B. Curtis (R., Mo.). Their views are echoed by many senators and congressmen.

"The establishment of DSA is a big step taken in reducing waste in Defense," Speaker McCormack has said.

"The step that has been taken with regard to DSA is a token of what may be done in such areas as financial management, medical and hospital service, weather and engineering services, intelligence, communications, publications."

Businessmen have expressed their willingness to cooperate.

The critical factor seems to be whether or not the services drag their feet.

Sen. William Proxmire (D., Wis.) summed up a widespread attitude when he said:

"There is enthusiasm because at long last a constructive step has been taken to set the Pentagon's procurement house in order to reduce wasteful spending and eliminate overlaps.

"But the optimism is guarded because in no field is it more necessary to adopt a rigorous show-me attitude before hailing accomplishments. Military procurement policies have been reformed before, without significant gains in the actual strength achieved for each U. S. tax dollar spent."

For years the notion of a single supply service has been bitterly controversial.

Many military officers have feared the establishment of such a service under the Secretary of Defense and independent of the individual services would handicap the supply of air, ground and sea forces and would be the first major step in the establishment of a single military service.

Many officers of the Army's technical services and the Navy's bureaus see DSA as a real threat to



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## DEFENSE BUYING

continued

their domains, but today the attitude among military and civilian supply officers is reflected by more than 1,700 requests by civilians for DSA assignment.

Their spirit is epitomized in a statement by Rear Admiral John W. Crumpacker, chief of the Navy's Bureau of Supplies and Accounts:

"Of one thing I am absolutely sure—every individual engaged in Navy supply will render enthusiastic, maximum cooperation to help make DSA the most effective and most responsive wholesale military supply support system for common items ever created."

DSA officials have found the only foot dragging so far has been a reluctance by the Army and Navy to provide lower-echelon officers of talent. In the main, General McNamara has found "staunch support and nothing barnacled."

The outlook for DSA, according to some observers of the Pentagon, is that the top brass won't buck it as presently constituted. But there will be a nasty battle if its boundaries are rapidly expanded; for example, in the area of ammunition.

END



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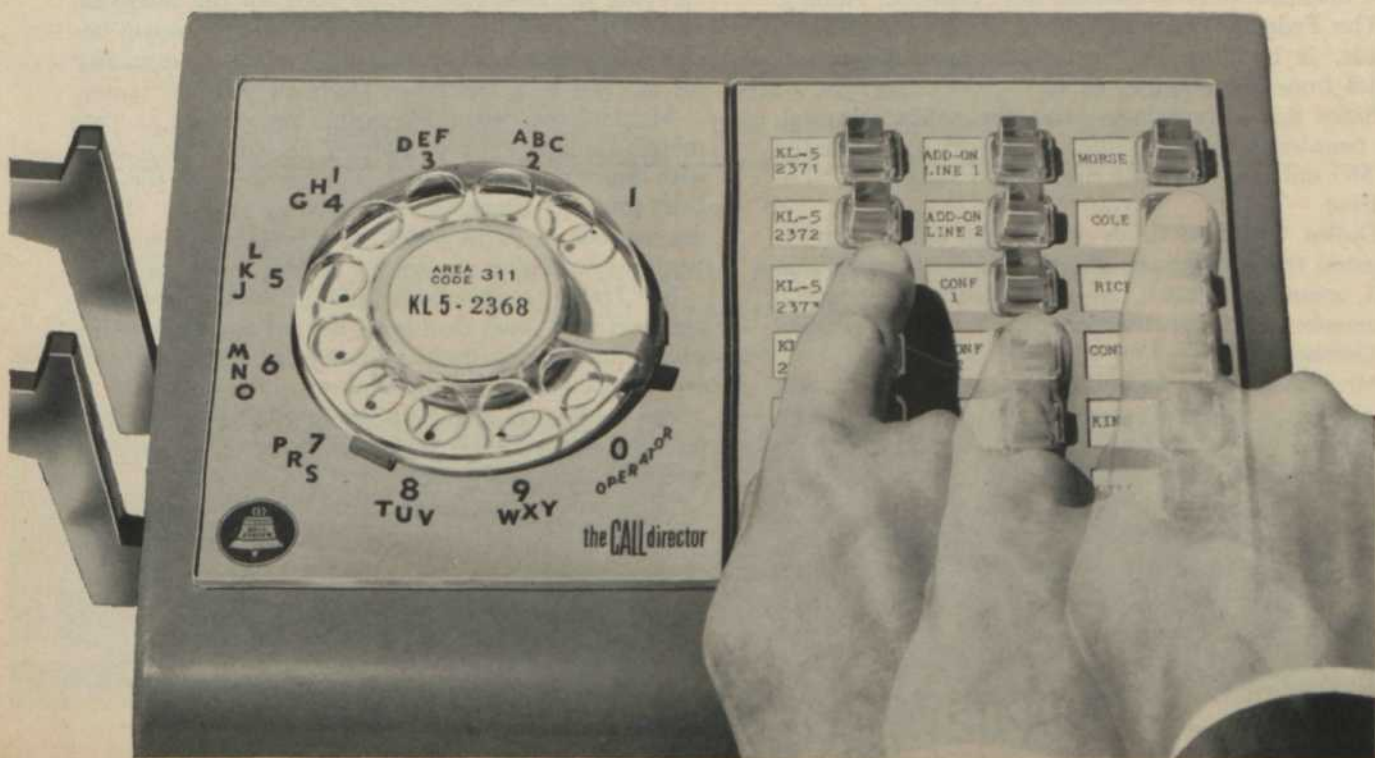
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### BELL TELEPHONE SYSTEM





# GOLDBERG'S GAMBIT

---

HOLDERS of the peculiar faith that government money is the answer to every human need are indebted to Secretary of Labor Arthur Goldberg for a new gambit which could use federal funds to reward success as well as to cushion failure.

In the past the pro-subsidy argument has been that "government must do for the people what the people cannot do for themselves."

Secretary Goldberg now urges federal money for people who are doing better than they have ever done.

First to benefit from the new federal spending the Secretary proposes would be the performing arts, where the problem is not decline but explosive growth. The country now has 1,100 symphony orchestras, compared to 500 or so 10 years ago; 754 opera-producing groups, 5,000 community theaters. To encourage this trend the Secretary recommends a partnership including the public, patrons, private

corporations, labor, and government—federal, state and local.

"The arts must assume their place alongside the already accepted responsibilities of health, education and welfare," the Secretary says. "Part of this responsibility must fall on the federal government."

Once we accept this new concept of federal responsibility, the possibilities are fascinating. Like opera, major league baseball is reaching new cities, and baseball is truly a part of American culture, as opera is not. Like symphony orchestras, discount houses are growing in numbers. So are eating and drinking places, beauty shops and used-car dealers.

Undoubtedly some in these fields, too, could use federal subsidies because growth is always expensive.

The Secretary did not need to learn that from an opera company.

He needed only to examine the budget President Kennedy has just introduced.

## "THIS IS A THREAT"

---

FEW FEDERAL OFFICIALS have ever made the vast difference between government and private operation of a business quite so clear as has Najeeb E. Halaby.

The Federal Aviation Agency, which Mr. Halaby heads, is building Dulles International Airport 27 miles from Washington, D. C.

Since this airport is to serve the nation's capital, no pennies have been pinched. Originally estimated at \$85 million, the total cost is now figured at \$110 million.

Dulles will also differ from most other airports because the government, through the FAA, will retain full operating control. After 11 years of planning, discussion, and construction, it's expected to open in October.

Mr. Halaby thus finds himself a landlord who will soon have a luxurious property for rent, but no tenants signed up.

Any other builder would have to get busy seeking prospects, advertising rental rates, and negotiating with anyone interested in the space.

Mr. Halaby instead demanded that airlines serving

the Washington area tell him how much terminal space they would rent. The airlines complied by agreeing on how they would split up the available space but, so far, have not committed themselves because they don't know what they would have to pay for it. The FAA has never supplied definite figures.

Mr. Halaby, describing airline negotiators as "armored gladiators," has insisted he would deal only with top company officials. Furthermore, if the airlines prefer to continue using existing airports, "there are various ways in which they will be persuaded" to move to Dulles, he told a press conference.

Mr. Halaby's attitude is familiar to countless businessmen who must deal with federal agencies or become entangled in their regulatory processes—whether in agriculture, communications, or an airport.

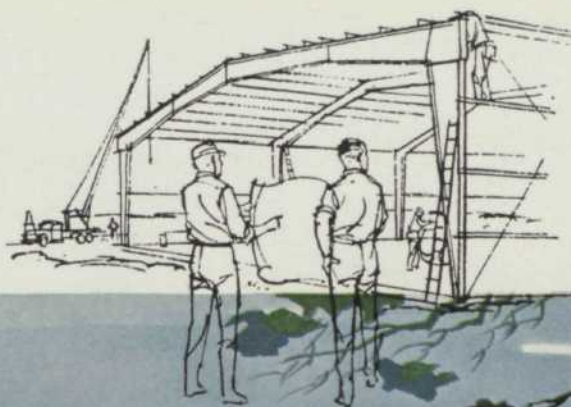
For those who might not be familiar with the differences between the way government and business operate, Mr. Halaby explains:

"They are trying to treat me just like any other airport owner, and they can't get away with it. This is a threat."



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integrated to give structures a perfectly finished look.

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Architect/J. E. Holland, A.I.A., Akron, Ohio



Architect/Philip Fisk, A.I.A., Honolulu





*Bowling alley floor custom-designed with Kentile Terrazzo Vinyl Asbestos 9" x 9" Tiles. Colors: Dusky Peach, Rose Moss, and Grey Mixture. Accented by Bristol Blue "Designer Palette" Feature Strips.*

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